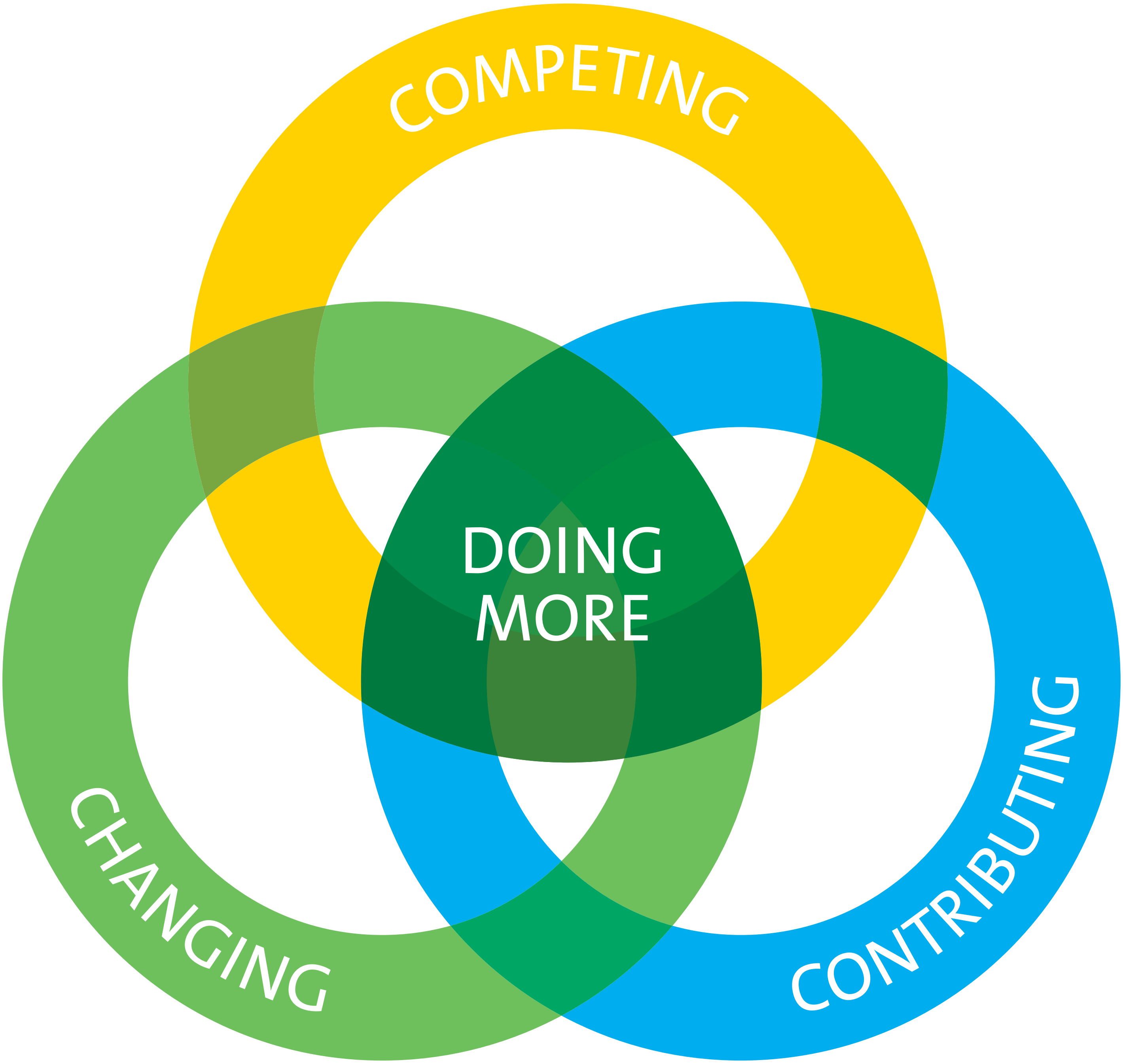


AN POST ANNUAL REPORT 2012

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COMPETING
CHANGING
CONTRIBUTING
DOING MORE

OUR MISSION

## To provide world class postal, distribution and financial services with unrivalled local community access and global connections.

OUR VISION

## Working together as a united team, our ambition is to outperform the new competition we face, delivering a better quality service, more efficiently, to more customers by continuously adapting, innovating and implementing change.

OUR VALUES

### Quality Customer Service
Put the customer first in everything we do, consistently delivering world class service quality.

### Commercial Success
Achieve commercial success, earning profits that can sustain and develop the business.

### Cost Competitiveness & Efficiency
Run a cost competitive, efficient operation.

### Respect & Personal Responsibility
Respect each other and take personal responsibility.

### Respected Corporate Citizen
Care for the environment and be engaged in the community as respected corporate citizens.

### Innovation & Change
Continually innovate, adapt and implement change successfully.

# BOARD OF DIRECTORS AND CORPORATE INFORMATION

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**1. Christoph Mueller**
**Chairman Designate**
**Announced as Chairman 26 March 2013**
Mr Mueller joined Aer Lingus as its Chief Executive Officer (CEO) in September 2009. He previously held the position of Executive Aviation Director at TUI Travel plc., a FTSE 100 company. Mr Mueller previously held senior executive positions in a number of companies in the aviation industry including Daimler Benz Aerospace and Lufthansa AG. He served as the Chief Financial Officer of DHL Worldwide from 2002 to 2004 and became a member of the Executive Committee of Deutsche Post AG in 2004 after the acquisition of DHL by Deutsche Post AG. He is a member of the Board of Tourism Ireland. He has an MBA from the University of Cologne and he also completed an Advanced Management Program at Harvard Business School.

**2. Noel Adamson**
**Employee Director**
**Appointed 1 November 2012**
Mr Adamson joined the Post Office in 1981 as a Postman in the Central Sorting Office in Dublin's Sheriff Street. He has been employed as a Postperson in Fairview Delivery Services Unit 3 for the last 18 years. Throughout his employment he has been an active member of the Communications Workers' Union. He is the current chairman of the Standing Orders Committee and he also holds the positions of Assistant Secretary and Health & Safety Officer with the Dublin Postal Delivery Branch.

**3. Patrick Compton**
**Employee Director - 1**
**Appointed 1 November 2012; Sixth term**
Mr Compton has worked in the postal service for the past 40 years and his current position is that of Partnership Co-ordinator, based in Roscommon. He was a member of the National Executive of the Communications Workers Union for 22 years and its President in 1986. He was also a director of The Prize Bond Company Limited for many years. He is active in community development in his local area and he is the County Roscommon GAA Coaching & Games Development Officer.

**4. Donal Connell, C.ENG., F.I.E.I., B.E.**
**Director - 2, 3**
**Appointed on 14 August 2006**
Mr Connell was appointed as Chief Executive on 14 August 2006. He began his career in the Department of Posts and Telegraphs and has held senior management positions in Unitrode Corporation, 3Com Corporation and Maxtor Ireland where he was General Manager prior to joining An Post. He is a non-executive Director of Xilinx Corporation's European Board and he is Chairman of An Post National Lottery Company.

**5. Thomas Devlin**
**Employee Director**
**Appointed 1 November 2012; Third Term**
Mr Devlin began his career in the Post Office in 1976 when he joined the Department of Posts and Telegraphs as a Junior Postman working as a messenger in the Minister's Office. He is currently employed as a Delivery Service Manager in Malahide Delivery Service Unit, Co. Dublin. An active member of the Communications Workers' Union, he served on the National Executive for two years and was Chairman of the SDS Dublin Motor Drivers' Branch from 1996 to 2004.

**6. Paul Henry A.C.A., M. Accounting, B.A. (Bus & Econ)**
**Director - 1**
**Appointed 15 September 2011**
Mr Henry, a Chartered Accountant, has worked as a Senior Internal Audit Manager and Senior Financial Analyst with Dublin Airport Authority PLC since 2008. Prior to that he worked with PriceWaterhouseCoopers, Dublin with whom he trained as a Chartered Accountant.

**7. William Mooney**
**Employee Director**
**Appointed 1 November 2012**
Mr Mooney joined the Post Office in 1982 as a Junior Postman. He is currently employed as a Post Office Clerk in the GPO. He is a member of the National Executive of the Communications Workers' Union and he also holds the position of Secretary of the Dublin Postal Clerks Branch Committee.

**8. Martina O'Connell**
**Employee Director**
**Appointed 1 November 2012**
Martina O'Connell joined An Post in 1993 as an Auxiliary Post Person and is now working as a Postal Operative in Cork's South City Delivery Office. An active member of the Communications Workers' Union since she joined the Company, Martina has been a member of the National Executive Council since 2002 and serves on a number of sub committees.

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**9. Peter Ormond B.A. (Bus. Mgt.)**
**Director**
**Appointed 8 March 2011**

Mr Ormond is the Marketing Manager with Mid Ireland Tourism since March 2010 prior to which he was the Community Services Programme Manager for Kilcormac Development Association. His other work experiences are in auctioneering, in sales and marketing, and in logistics. He is a member of Offaly County Council and was its Chairman in 2005/2006. He is also a member of the Education Finance Board.

**10. John Quinlivan B.SC. (Mgt. & Law), M.SC. (SPL. PLG.), Dip. In Public Admin.**
**Director - 3**
**Appointed 24 June 2008; Second Term**

Mr Quinlivan has had a lengthy career in local government, serving in senior positions in nine counties, including 15 years as Louth County Manager. He served for five years as a member of the National Roads Authority and he also served as a member of the Local Government Management Services Board, the Local Government Computer Services Board and An Comhairle.

**11. William Scally M.A. Barrister-at-Law**
**Director**
**Appointed 11 December 2012**

Mr Scally has had a lengthy career in Economics and Public Policy. Up until 2011 he worked on a cooperative basis as an independent public policy and public affairs consultant in the CIPA framework with a wide variety of Irish businesses and representative bodies. He was lead author of Fixing Finance, the 2010 Institute of International and European Affairs publication. Mr Scally has lectured widely on the Irish Government and political process. He worked in Irish Sugar for many years and as a public policy and economic advisor to several Irish Governments. He also served on the board of Forfás.

**12. Lorraine Tormey**
**Postmaster Director**
**Appointed 1 January 2013**

Ms Tormey has worked in the family post office business in Rathowen, Co Westmeath all her life and she was appointed Postmistress there in 2001. She is also Postmistress of Austin Friar Street Post Office in Mullingar. Ms Tormey is Secretary of the Westmeath Branch of the Irish Postmasters' Union (IPU); Director and Company Secretary of Rathowen Community Development and she is involved in a broad variety of local business and community development initiatives.

**13. James Wrynn BSC.BCOMM., MBA.**
**Director - 1**
**Appointed 15 September 2011**

Mr Wrynn is a former Senior Lecturer in Strategic Management in DIT and Head of the Department of Administrative Studies in DIT's Faculty of Business. He served on the Board of ESB for more than ten years and during his term of office served as Deputy Chairperson from 1995–2000. He also chaired ESB Board Committees on International Investment and Strategic Response to Deregulation.

**Secretary**
Jack Dempsey

**Registered Office**
General Post Office
O'Connell Street
Dublin 1

**Auditor**
KPMG, Chartered Accountants

**Bankers**
Bank of Ireland

**Solicitors**
Matheson

**Registered Number**
98788

**Key To Board Committees**
1. Audit And Risk
2. Personnel
3. Remuneration

# CHAIRMAN (DESIGNATE)'S STATEMENT

**The contribution of a high quality postal service to a modern economy is essential and accepted throughout the world. Declining traditional mail volume has caused many countries to examine the financial model behind the provision of the Universal Service Obligation. I am aware that An Post has continued to keep abreast of developments, whilst taking action to address the impact of this ongoing decline. In so doing, the Group has changed its revenue mix with non-core mail activities increasing steadily year-on-year.**

It is recognised that An Post has improved its customer service in recent years. The Company continues to enjoy a very good reputation for the quality of its international mail service.

An Post has many unique assets; it has an unrivalled retail network, a mail collection and delivery network with a countrywide reach, a diverse set of products and services, a strong and trusted brand and a committed and experienced workforce. Despite the evolution of the digital business environment, these assets remain relevant to both business and personal customers alike. One of the key challenges facing the Company is to ensure that these are applied in a manner which will ensure a sustainable future for the organisation.

DOING MORE

**The Group has changed its revenue mix with non-core mail activities increasing steadily year-on-year.**

I understand that significant change has taken place over the last number of years and that necessary change programmes are ongoing. My own experience indicates that such change will continue as the business aligns itself with demand and volume in order to remain competitive and meet changing customer demands. Improved flexibility, efficiency, cost effectiveness and innovation will be key elements in the Company's drive to provide superior customer service across all aspects of the business.

An Post has played a pivotal role in the Irish economy and society for many years. It is a great privilege and responsibility for me to join the Company as Chairman.

I look forward to working with the Board, Management and staff of An Post to position the Company as they continue to deal with difficult economic and market challenges whilst exploiting new commercial opportunities for the core business and subsidiary companies.

The Company wishes to thank those who retired from the Board during the year namely, Jerry Condon, Anne Connolly, Paddy Costello, Gerry O'Toole and Alan Sloane. Thanks are also due to John Fitzgerald (former Chairman) and Catherine Woods, both of whom retired in February 2013. Their contributions during their terms of office are very much appreciated.

**Christoph Mueller, Chairman (Designate)**

# MANAGEMENT

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**1. Donal Connell, C.ENG., F.I.E.I., B.E.**
**Chief Executive**
Mr Connell was appointed as Chief Executive on 14 August 2006. He began his career in the Department of Posts and Telegraphs and has held senior management positions in Unitrode Corporation, 3Com Corporation and Maxtor Ireland where he was General Manager prior to joining An Post. He is a non-executive Director of Xilinx Corporation's European Board and he is Chairman of An Post National Lottery Company.

**2. John Daly, A.C.M.A., M.SC.(MGMT.)**
**Retail Operations Director**
Mr Daly joined An Post in December 1988 having worked previously as a Management Accountant in FÁS. During the early part of his career with An Post, he worked in the Finance Directorate as a Management Accountant. He then held various senior finance and management positions within the Retail division before being appointed to his current position in October 2006. He is Chairman of The Prize Bond Company Limited.

**3. Jack Dempsey, B.COMM., M.B.A., M.P.A.**
**Company Secretary**
Mr Dempsey joined the Post Office in 1968 as an Executive Officer in the Department of Posts and Telegraphs. During his career, he has gained wide experience in all aspects of postal operations and commercial activities, both national and international, occupying a variety of senior management positions across the Company. He was appointed as Company Secretary in March 2011.

**4. Peter Gallagher, B.SC., M.B.A., M.INST.D**
**Director of Strategy and Business Excellence**
Mr Gallagher joined An Post in April 2007 as Head of Strategy and Business Excellence. Prior to joining An Post, he had been a Partner in PA Consulting Group's Global Business Transformation Practice where he led major transformational and business operational improvement programmes for private & public sector clients. Previous roles include Director of Strategy with KPMG Consulting and Business Operations Manager (UK & Ireland) for Dell Computer Corporation.

**5. Pat Knight, M.SC.(MGMT.), F.C.I.P.D.**
**Human Resources Director**
Mr Knight joined An Post in March 2004 as Human Resources Director. Previously, he had been General Manager Human Resources at Waterford Crystal, which he joined in 1986 and where he held senior HR roles, both in Ireland and the UK. Previous experience includes work as a Personnel Officer with Bord na Móna plc. He is a Trustee of the An Post Superannuation Schemes and a director of Air Business Limited.

**6. Brian McCormick, B.E.(MECH.), M.B.A.**
**Services Director**
Mr McCormick joined An Post in May 2002 as Strategy Director and was appointed to his current position of Services Director in October 2003. Prior experience includes CRH plc and Merrion Corporate Finance where he was a Director. He is a Trustee of the An Post Superannuation Schemes and Chairman of One Direct (Ireland) Limited and Air Business Limited.

**7. Liam O'Sullivan**
**Mails Operations Director**
Mr O'Sullivan joined An Post in 1985. During his career, he has gained broad experience across the full range of the Company's business. He has held various senior managerial and project management positions in the Company. He was appointed as Mail Processing Director in July 2004 and also served a period as Director of Collection & Delivery Change Programmes and Operations. He took up his current position in April 2009. He is a Director of GeoDirectory Limited.

**8. Peter Quinn, B.COMM., F.C.A., M.B.A.**
**Chief Financial Officer**
Mr Quinn joined An Post in August 2004. Prior to this he held senior financial and strategic positions in PJ Carroll and Company plc and Monaghan Mushrooms Limited. He is a Chartered Accountant and trained in practice with KPMG. He is a director of An Post National Lottery Company.

**9. Liam Sheehan**
**Sales and Marketing Director**
Mr Sheehan joined An Post in 2000 as General Manager Sales & Marketing and he was appointed as Sales & Marketing Director in October 2006. He has extensive experience in the Irish fast moving consumer goods sector and in brand creation, channel management and sales strategy. He previously held senior Sales & Marketing positions in Procter & Gamble and in Guinness and he was Commercial Director with Erin Foods. He is a director of The Prize Bond Company Limited. He is also Chairman of The Gift Voucher Shop Limited.

**10. Barney Whelan, B.SC., M.B.A., F.P.R.I.I.**
**Director of Communications and Corporate Affairs**
Mr Whelan joined An Post in January 2005. Having spent many years in the aquaculture industry, he was responsible for public relations and brand communications at the ESB. He subsequently held the position of Director, Sales and Marketing at The Food Safety Promotion Board. He was appointed to his current position in October 2006.

**During 2012 the Company maintained its strategic focus, continuing to adapt internal structures, products, service offerings, work practices and workflows to the evolving business environment.**

Our strategic investment programme has positioned us to compete at the highest level, enabling us to meet the ever-changing needs of our customers now and into the future. Equally, we continue to focus on areas which can generate new and enhanced revenue. An Post is now among the world's best postal service providers in terms of service quality and we remain dedicated to sustaining this position on an ongoing basis.

CHANGING

# Meeting the ever-changing needs of our customers

**2012 Revenue**

- **€501M** MAILS
- **€169M** RETAIL OPERATIONS
- **€111M** SUBSIDIARIES

We are midway through our ambitious Change Programmes and have built on the achievements of previous years including:

- A reduction in annualised operating costs of €100m
- A core Company workforce reduction of 1,284 full time equivalents (FTE), while increasing mails service quality to record levels
- Substantial growth in the turnover of subsidiary companies which increased their contribution to the Group
- Continued strong retail performance

This approach will continue as An Post, in common with other global postal operators, deals with declining mail volumes, increased electronic substitution and significant changes in the business environment.

**Financial performance**

A Group operating loss of €17.5m was recorded for the year (2012), against a prior year profit of €2.2m. This is the first trading loss incurred by the Group since 2003 and is not sustainable in the medium term. The single largest contributing factor has been the unprecedented decline in traditional mail largely driven by the economic crisis. The Company has experienced a reduction of 27% in volumes since the peak of 2007. The scale of the decline is similar to that seen in other countries.

Mails revenue in 2012 amounted to €501m, 1.1% lower than 2011. The Company benefitted from price increases of €6.5m for USO services weighing more than 50 grams and certain non-USO products; a 9% increase in the volume of parcels and packets and improved pricing on international mail paid through Terminal Dues. The volume of traditional mail fell by 5.2% during the course of the year; however, the rate of decline was lower in the second half of the year. The Company is budgeting for a further 5% decline during 2013, which we feel is reasonable given recent trends and the ongoing economic environment.

The Retail division performed well with revenue at €169m compared with €171.6m the previous year. Products such as Sterling and Dollar sales contributed €4.4m, up 13% on 2011, compensating for reduced income from the NTMA contract, which covers the provision of State Savings products.

The Company's subsidiaries increased their revenue to €111m from €80m in 2011 reflecting solid growth in their respective product portfolios. Each is in a strong position within their particular market and they benefit from their association with An Post. As Aviva closed their branch network, the addition of their local branch business to One Direct, as well as the continued growth of The Gift Voucher Shop are positive indicators for the year ahead.

**Mails Quality of Service**

The Company consistently improved the performance of next-day delivery of single piece domestic mail with significant improvement over the previous year. These results were achieved against a background of the ongoing re-engineering of collection and delivery operations nationwide as well as the major automation engineering programme at the Company's Mails Centres.

Quality results for International Mail again showed a strong performance with 97% of mail delivered in Ireland within three days of posting in Europe against the EU Postal Directive Target of 85% and a European average of 95.4%, and 96.5% of mail delivered in Europe within three days of posting in Ireland.  This continues to place An Post as one of the leading performers in Europe.

COMPETING

## Reducing operational costs and investing in infrastructure

▼ **€53.4M**
REDUCTION IN LABOUR COST SINCE 2008

▲ **4,500**
POSTAL OPERATIVES EQUIPPED WITH MOBILE SCANNING DEVICES

**Strategic approach**
Our strategic approach to the changing business environment over the last few years has included specific focus on:

- Cost reduction in pay and non-pay
- Mails price adjustment
- Diversified and increased revenue
- Retail

The delivery of each of these pillars is required for our business model to succeed.

During the period of the current five year plan we will see a continued decline in traditional mail volumes and revenue. The current phase of losses is regrettable but will be addressed within the five year plan while mitigating measures, including necessary action on mails pricing, take effect. The Company has already achieved a permanent €100m reduction in annualised pay and non-pay costs and will build on its track record of progress in this area in the years to come.

**Change Programme**
In the period since 2008, the staff full time equivalent (FTE) numbers in the core Company declined by 1,284 and the annualised labour cost has been reduced by €53.4m. The average staff FTE level in 2012 was 396 lower than 2011. The Company will continue to implement its planned staff FTE reduction programme this year and in the years to come. The current plan requires a staff reduction of 2,600 FTEs during the period 2009–2016. This equates to an average annual reduction of 325 FTEs. We are currently half way through this programme and an average staff reduction of 321 FTEs per annum has been achieved.

The programme has resulted in extensive non-pay savings of €35.5m in 2012 (i.e. 22.5% lower) when compared to 2008. Whilst we experienced inflation in some cost headings such as fuel and electricity during the year, this was offset by savings in professional services and other areas.

Capital investment in further automation within the Mails business continued during 2012 with the installation of new processing equipment at our Portlaoise and Dublin Mails Processing Centres, as well as the upgrade of equipment at Cork and Athlone Mails Processing Centres. This project is already delivering significant improvements in read rates allowing mail, of various categories, to be sorted to the level of the post-person's delivery route, thereby contributing to cost savings, efficiencies and staff FTE reductions.

The application of diverse technology solutions continues to underpin the Company's Change programme and business strategy. During 2012, a state of the art SAN (Storage Area Network) was deployed to meet increasing data storage requirements. Some 4,500 Postal Operatives were equipped with mobile scanning devices allowing the capture of customer signatures at point of delivery and enabling real-time upload of vital information to the Track and Trace system.

Within the Retail network, investment was focused on new product innovation, systems improvement and the upgrading of premises. An Post will continue to maximise the use of technology as an integral part of its approach to new business challenges in an ever changing and uncertain environment.

**Pensions**
The An Post pension scheme deficit improved to €285m at 31 December 2012, down from €484m, mainly due to improved investment performance. Active negotiations are in progress with our Unions in order to meet the Minimum Funding Standard.

**Regulation and Price**
There was no price adjustment for postal services within the scope of the universal postal service relating to postal packets weighing less than 50 grams during the period from March 2007 to December 2012. A price application seeking reasonable price increases was submitted to ComReg in February 2012.

On 1 March 2013, ComReg approved an increase of 5c in the standard domestic letter rate from 55c to 60c. With this increase, An Post pricing continues to compare very favourably with postal service providers in the EU, including the UK, France, Germany and Belgium.

CONTRIBUTING

# Partnering Government and commercial organisations

**25.2 MILLION**
BILLPAY TRANSACTIONS ON BEHALF OF 216 COMMERCIAL ENTITIES

**€9,445 MILLION**
VALUE OF STATE BENEFITS PAID BY AN POST ON BEHALF OF THE DEPARTMENT OF SOCIAL PROTECTION

Given the unprecedented and permanent decline in Mails volumes and revenue to-date, largely driven by the economic downturn, Mails prices are not currently at a sustainable level. Therefore regular price adjustments along with major cost reduction and revenue enhancement are necessary and form a key part of the Company's business plan.

The Communications Regulation (Postal Services) Act, 2011 provides for the introduction of a Price Cap Mechanism for services within the scope of the Universal Service where ComReg is of the opinion that there is no effective competition in the market for the supply of the postal service concerned.

The Price Cap Mechanism means an overall limit on the annual percentage change in prices based on the annual percentage change in the Consumer Price Index (CPI) and includes an adjustment to incentivise the efficient provision of the relevant services. The introduction of an appropriate Price Cap Mechanism is essential to the achievement of the Company's objective of securing regular and necessary price adjustments in the years to come.

There were a number of developments in relation to the regulation of Quality of Service during 2012. In February, ComReg served legal proceedings on An Post under the terms of the European Communities (Postal Services) Regulations 2002, seeking an order from the High Court that An Post comply with the 94% next day delivery target for single piece mail. It also sought to impose a financial penalty for alleged non-compliance with the Quality of Service standard.

An Post is vigorously contesting this action through the High Court as also reported in last year's Annual Report. Our internal metrics continue to show a significantly higher level of performance. An Post believes that the way forward is a new single domestic monitor of performance, agreed with ComReg, independently operated and audited, which would also provide the Company with timely diagnostic information.

In late 2011, ComReg issued An Post with a direction to provide next-day delivery of mail in respect of two addresses, both of which were for the same property and neither of which was a valid postal address. An Post successfully brought Judicial Review proceedings of ComReg's Direction and, in October 2012, the High Court, agreeing with An Post, made an order quashing ComReg's Direction and granted the reliefs sought by An Post. ComReg subsequently indicated that it intends to appeal the High Court Decision to the Supreme Court.

A major programme has been successfully implemented during the last number of years to improve service quality. This is reflected by the high level of performance shown by the independent Quality of Service monitoring of our international mail streams. The Company will continue to focus on achieving results which place it among the world's best performers.

**New revenue**
The generation of additional income streams is also a fundamental part of the strategy of the Group. This will continue to be achieved by the addition of new products and services in the mails and retail businesses as well as the subsidiary companies, all of which are closely aligned with An Post's core activity. The Company has allocated cash in its forecast to facilitate the appropriate investment to enable these companies to achieve their plans and take advantage of opportunities which will arise in their sectors. Ambitious stretch targets have been set and our performance to date is evidence of the ability of the Group to succeed in this context.

The Company is also proud of its achievements on behalf of the Government in managing the State Savings portfolio, the National Lottery Company and in servicing the customers of the Department of Social Protection. These activities serve to illustrate An Post's successful track record across diverse sectors. The increase in State Savings through the post office from a book of €6 billion in 2007 to almost €17 billion today has been very significant. In a similar manner the €225m raised in 2012 through the National Lottery for good causes is also an important achievement. It is worth noting that the National Lottery continues to rank among the best performing lotteries in the world as measured by La Fleur's and An Post looks forward to participating in the forthcoming National Lottery Licence bid process.

DOING MORE

## Running the largest financial services network in the country

**1,150**
OUTLETS

**1.7 MILLION**
CUSTOMERS WEEKLY

**6**
OPEN 6 DAYS A WEEK

**Servicing Government business**

The 1983 Act sets one of the objects of An Post as "To provide counter services for the Company's own and Government business and provided they are compatible with these services and with the principal objects set out ...for others as the Company sees fit." An Post is actively participating in the current Department of Social Protection "Provision of cash services" tender. The Company is confident that it will submit the strongest offer and looks forward to a positive outcome for all concerned.

An Post is well positioned to provide more Government services through its network. We run the largest financial services network in the country, comprising more than 1,150 outlets mainly operated by independent retailers employing over 3,000 people in their local communities. This network offers the opportunity to access the 1.7m customers using the post office on a weekly basis. It provides a range of financial services and is central to the day-to-day financial planning of many of our citizens. The post office remains one of the most trusted institutions in the country.

As some banks seek to rationalise their branch networks they have recognised that many of their retail transactions could be done more efficiently and cost effectively within the post office network. This arrangement allows access to a variable cost model for transactions and offers their customers banking services in our community based retail network, six days a week. The number of transactions continues to grow on an annual basis proving that there is a high level of customer engagement with these services. In 2012 approximately three million transactions were processed in this way as we extended our service provision for AIB in particular, and also for Danske Bank. In recent years there has been an increase in the number of services available through the local post office. The advent of One4all Gift Cards, postfone, and Sterling and Dollar sales has been welcomed by our clients and customers alike. These services continue to experience solid growth despite Ireland's ongoing difficult retail environment.

As many Government Departments continue to encourage online retail transactions they are also faced with much higher costs for the remaining offline transactions. A similar opportunity is available to these bodies to utilise our locally-based network, to improve access to Government services and deliver significant cost savings by availing of the variable cost model for transactions as described above. One case in point is the development in meeting the Government's intention to achieve financial inclusion through the provision of a Basic Bank Account. The Company is confident that it can play a pivotal role in Government achieving this by utilising the post office network.

The post office network has delivered an excellent service to the Department of Social Protection and their clients for decades. In many rural and urban areas, the post office is the only outlet offering a range of affordable and easily accessible financial services. The results of a recent pilot project suggest that financial inclusion initiatives will not succeed unless delivered through the retail network of choice – the post office.

It is worth noting that throughout this period of adjustment, rationalisation and investment, the Company's reputation and its standing among the public, as measured by Millward Brown, has improved steadily. All reputation parameters have improved in a statistically significant manner year-on-year.

Ireland's ongoing economic situation presents an extremely difficult business environment. An Post will address the consequent challenges with determination during this coming year and thereafter. The Company will continue to adapt its structures and resources to face the changing business reality. The development of innovative products and services is a central part of the business strategy as is the continued provision of a high quality, value-for-money, relevant and customer-focussed service.

Finally, I wish to thank the Minister for Communications, Energy and Natural Resources, Pat Rabbitte T.D., and his officials for their assistance and support during 2012.

Donal Connell, **Chief Executive**
27 March 2013

Success is being achieved by a number of businesses which can take advantage of the expertise and presence of the core company. The following are the primary successes in the subsidiary arena:

*National Lottery Company*
An Post is very proud of the achievements of this business over the 26 years of its existence. The management and staff have developed a highly successful Company and the funds raised have considerably assisted beneficiaries across the country. €225m was distributed to good causes in 2012.

The Government will issue a tender for the awarding of the next Lottery Licence in the coming months. An Post looks forward to participating in the forthcoming National Lottery Licence bid process.

*One Direct*
One Direct took over the personal lines (motor and home) insurance business formerly conducted by Aviva through its own branch network. This represents a significant increase in business. It facilitates consolidation of the distribution channel operated by One Direct from its call centre in Athlone with the physical post office network. This added business together with a strong performance in all lines of insurance, motor, home and life gives additional strength to the brand in the market.

*Air Business*
This Mails sector business, based in the UK has seen considerable growth in the past two years. Turnover in 2012 exceeded €75m. This business concentrates on fulfilment, subscription management and distribution, through international mail channels, primarily for large international publishing clients. Current customers include such prestigious titles as The Economist, Informa's Lloyds List, the British Medical Journal, Country Life, Vogue, The Lancet, New Scientist and various other academic and educational publications

*Postpoint*
This payments channel, in addition to the post office network, offers our customers and product suppliers alike a very valuable service. There is some decline in the traditional mobile top-up market and margins have been reduced for all payment companies in this sector. This channel saw transactions amounting to €250m in value during 2012. New, innovative product developments and changes in technology are maintaining relevance and the Group is committed to development in this sector.

*The Gift Voucher Shop*
The One4all gift card is the gift voucher of choice in Ireland. Innovation and product development have kept this to the forefront. In addition, expansion into the UK has added to the size of this business. This subsidiary contributed positively to the operating result at the Group and is a very significant part of the Company's retail operations.

# FINANCIAL REVIEW

## Group turnover for 2012 was €807.3m, marginally ahead of the previous year's €806.7m.

The Group operating loss of €17.5m was impacted by further decline in core mails volumes, delays in securing approval from the Commission for Communications Regulation (ComReg) for necessary price adjustments and some delays in implementation of our cost reduction programmes. Postal Operators dealing with the particular challenges of the postal market must be able to price products and services according to market forces, and in this regard An Post looks forward to the successful introduction of the new ComReg price cap mechanism in 2014. These results also reflect a most challenging domestic economy.

| | 2012 €m | 2011 €m |
|---|---|---|
| Turnover | 807.3 | 806.7 |
| Group operating (loss)/profit | (17.5) | 2.2 |
| Net assets (excluding pension liability) | 297.3 | 319.0 |

The financial year 2012 ended with a Group Operating Loss of €17.5m compared to a Group Operating Profit of €2.2m the previous year. However, comparison of the two years is skewed by the exceptional €28m revenue generated by the General Election and Presidential Election mailings in 2011.

**Revenue**
Overall mails revenue in 2012 totalled €501m, 1.1% lower than 2011. The volume of traditional mail reduced by 5.2% in the course of the year, with the rate of decline slowing significantly from 6.8% in the first half of the year to 3.6% in the second half.

Compensating to some degree for the above mentioned decline in traditional mail volume was growth in parcels and packet volumes, price increases in some non-USO services and new improved rates payable to the Company by international postal administrations and mail operators for delivering their mail in Ireland.

Revenue in the retail division held up well at €169m compared with €171.6m the previous year. The value of State Savings reached €16.3 billion by the end of December 2012, an increase of €2.2 billion on the prior year. Other new retail income streams showed encouraging growth including commission-free Sterling and Dollar sales and additional agency services for AIB, Danske Bank and other financial services and utility providers.

**Subsidiaries**
Revenue from An Post subsidiary businesses increased to €111m from €80m, generating a profit before tax and goodwill of €8.5m. This reflects solid growth in the primary subsidiaries which continue to perform strongly in their respective markets and which benefit greatly from their association with the post office network. The takeover by One Direct of Aviva's local motor and home insurance branch business, as they closed their branch network in the Autumn, and the continued growth of The Gift Voucher Shop (One4All) are positive indicators for the year ahead. Profit margins remain strong across the businesses.

**Pricing**

Ongoing price adjustments coupled with ongoing cost reduction and new revenues are an essential part of the Company's business plan. The Communications Regulation (Postal Services) Act, 2011 provides for the introduction of a Price Cap Mechanism for services within the scope of the Universal Service where ComReg is of the opinion that there is no effective competition in the market for the supply of the postal service concerned. The Price Cap Mechanism means an overall limit on the annual percentage change in prices based on the annual percentage change in the Consumer Price Index (CPI) and includes an adjustment to incentivise the efficient provision of the relevant services. The introduction of an appropriate Price Cap Mechanism is essential to the achievement of the Company's objective of securing regular and necessary price adjustments in the years to come.

**Costs**

Change programme implementation continued apace over the course of the year. In the period since 2008 the core company has achieved an FTE reduction of 1,284 and the cost of labour has reduced by €53.4m. In the year 2012 labour hours equated to 9,641 FTE's. This was 396 lower than in 2011 and reflects the impact of ongoing change programmes on the cost base.

Core non-pay costs were reduced by €4m in 2012. There has been inflation in some areas such as fuel and electricity which is being offset by savings in the cost of professional services and other cost categories. Additional costs were incurred in the servicing of incremental parcel and packet handling where we are increasing our market share of national and international business.

**Cash**

The cash resources of the Group at 31 December, 2012 were €112m (€150m in 2011). During the year €28m was invested in capital expenditure and €17m in voluntary service/voluntary early retirement schemes. The cash impact of the trading loss of €17.5m is mitigated by the non-cash depreciation and amortisation charges of €25m.

**Fixed Assets**

Capital expenditure in 2012 amounted to €28m. There were no significant asset disposals during the year. Further capital spend of the same magnitude is planned for 2013, including the completion of investment in the latest generation of mails processing equipment.

**Pension Schemes**

The An Post balance sheet at 31 December 2012 includes a pension deficit of €285m (€484m in 2011). Assumptions that are in line with industry norms are used in the calculation of charges and the balance sheet deficit. These are primarily a discount rate of 4%, long run pay/pension inflation of 1.5% and investment return of 7.5% for equities, 3% for bonds and 4% for other asset classes.

Pension Schemes such as the defined benefit scheme at An Post have to address the requirements of the Pensions Board for Minimum Funding Standards. An Post expects to be in a position to make the changes necessary to the scheme so that it can attain the necessary minimum funding standard, as laid down by legislation.

**Outlook**

2012 is the first year to record an operating loss since 2003. This is not sustainable in the medium term. Implementation of the ongoing change programmes, achieving price re-alignment and the growth of new revenue streams in core and subsidiary businesses are the key drivers in achieving a return to profitability.

# The Communications Regulation (Postal Services) Act 2011 ('the Act') was enacted in August 2011.

**Requirements of the USO (Universal Service Obligation)**
Under Section 17 of the Act, An Post is designated as a Universal Postal Service Provider for a period of 12 years.

Under Section 16 of the Act, Universal Postal Service means that on every working day, except in circumstances or geographical conditions deemed exceptional by ComReg, there is at least:

(i) one clearance, and
(ii) one delivery to the home or premises of every person in the State or, as ComReg considers appropriate, under such conditions as it may determine from time to time, to appropriate installations.

Universal service shall include the following minimum facilities:

(a) the clearance, sorting, transport and distribution of postal packets up to 2 kgs;
(b) the clearance, sorting, transport and distribution of postal parcels to a weight limit to be specified by order of ComReg (or in the absence of this 20kgs);
(c) the sorting, transportation and distribution of parcels from other Member States up to 20kgs in weight;
(d) services for registered items;
(e) services for insured items within the State and to and from all countries which, as signatories to the Convention of the Universal Postal Union, declare their willingness to admit such items whether reciprocally or in one direction only; and
(f) postal services, free of charge, to blind and partially sighted persons.

As required by Section 16(9) of the Act, in July 2012, ComReg made regulations specifying the services to be provided by An Post relating to the provision of the Universal Postal Service. The Communications Regulation (Universal Postal Services) Regulations, S.I. 280 of 2012, which sets out these services, is available on www.irishstatutebook.ie or www.comreg.ie.

**Access to Universal Services**
An Post provides access to its services through its network of 57 Company post offices, 1,095 postmaster-operated post offices and 166 postal agents. In addition, some 1,188 retail premises are licensed to sell postage stamps, as active licensed agents. To facilitate physical access to the service, approximately 5,000 post boxes are distributed widely throughout the State. There are 43 designated acceptance points for bulk mail services.

**Tariffs**

The following is a summary of the prices for standard services weighing up to 50g which were applicable during 2012.†

| Ireland & NI | Letters (up to C5) | Large Envelopes | Packets | Parcels |
|---|---|---|---|---|
| Standard Post | 55c<br>54c if Ceadúnas or meter | 95c | €2.20 | €6.50 |
| Registered Post* | €5.25 | €5.25 | €5.25 | €10.50 |

* The fee payable for the basic registered service covers compensation up to a maximum of €320. Further compensation up to a limit of €1,500 is available for €4 and up to a limit of €2,000 for €5 based on declared value at time of posting.

| International Destinations | Letters (up to C5) | Large Envelopes | Packets | Parcels |
|---|---|---|---|---|
| Standard Post | 82c | €1.50 | €2.70 | GB €18.25<br>ROW €22.00 |
| Registered Post** | €5.17 | €5.85 | €7.05 | GB €23.00<br>ROW €27.00 |

**Availability of service dependent on postal administration in destination country. Compensation up to €320 in GB; €150 in Europe; €100 for parcels and €35 for letters outside Europe

† With effect from 2 April 2013, An Post changed its tariffs for Standard Post within the Universal Service. The tariffs for items weighing up to 50g were increased and these tariffs now apply to items up to 100g resulting in a reduction in the previous tariff for items weighing between 51-100g. The new Standard Post rates for Ireland and Northern Ireland for items weighing up to 100g are 60c for letters, €1.05 for large envelopes and €2.40 for packets. Discounts apply if payment is made by meter. The tariffs for all other destinations for items weighing up to 100g are 90c for letters, €1.65 for large envelopes and €3.00 for packets. International Standard parcel prices were also increased.

A full list of current USO tariffs is available in the Guide to Postal Rates (see www.anpost.ie)

**Quality of Service**

*International*

The quality performance standard for the delivery of intra-Community cross-border mail was laid down in the Postal Directives (97/67/EC as amended) and is included in Schedule 3 of the Act. The quality standard for postal items of the fastest standard category is as follows:

**D+3: 85% of items; D+5: 97% of items,** where D refers to the day of posting.

*Domestic*

The Act requires ComReg to set quality-of-service standards for domestic universal service mail which must be compatible with those for intra-Community cross-border services. ComReg have set a quality-of-service target for domestic single piece priority mail as follows:

**D+1: 94% D+3: 99.5%,** where D refers to the day of posting.

*Quality monitoring*

Monitoring of performance against the international targets is carried out by Research International on behalf of International Post Corporation (IPC). Monitoring of the domestic quality of service is carried out by Ipsos MRBI on behalf of ComReg.

In February 2012, ComReg served legal proceedings on An Post under the terms of the European Communities (Postal Services) Regulations 2002, seeking an order from the High Court that An Post comply with the 94% next day delivery target for single piece domestic mail and seeking to impose a financial penalty on An Post for alleged non compliance with the quality of service standard. An Post is defending this action vigorously.

*Customer Complaints*

An Post is required to maintain records of customer complaints taking into account the relevant European standard IS: EN 14012:2003. The table provides, in relation to mail, a breakdown of written complaints received from customers during 2012. The total continues to represent a minute fraction of the entire mail traffic handled during the year.

| **Written complaints received from customers:** | |
|---|---|
| Items lost or substantially delayed | 18,287 |
| Items damaged | 980 |
| Items arriving late | 351 |
| Mail collection or delivery: | |
| Time of delivery | 347 |
| Failure to make daily delivery to home or premises | 115 |
| Collection times/Collection failures | 2 |
| Misdelivery | 486 |
| Access to customer service information | - |
| Underpaid mail | 145 |
| Tariffs for single piece mail/discount schemes and conditions | - |
| Change of address (Redirections) | 919 |
| Behaviour and competence of postal personnel | 22 |
| How complaints are treated | - |
| Other (not included in above) | 1,789 |
| **Total** | **23,443** |

Included in the total figure are complaints about registered items, which number 5,563.

In 2012, 475,414 telephone calls were made to An Post Customer Services. Most of these were routine or general enquiries rather than complaints.

The An Post Complaint and Dispute Resolution Procedures are set out in 'Getting it Sorted,' which is available on our website, in retail outlets, and from our Customer Services Centre. We also have a Customer Charter, containing specific pledges to customers regarding our services.

**Further Information**

Additional information in relation to services provided by An Post is available by phoning An Post Customer Services on CallSave 1850 57 58 59, by email at customer.services@anpost.ie, by visiting www.anpost.ie, or by calling into a local post office.

## Sustainability at An Post is firmly based within ongoing business activity, aimed at mitigating our environmental impact, improving quality of life for our customers and enhancing our business offering.

**Environment**

Following a four year improvement programme, targeting our carbon performance, An Post has achieved significant carbon reduction across our buildings and fleet. Given the relatively large building stock and fleet size, the sustainability programme constitutes improvement and innovation across a range of opportunities to make gains in carbon savings.

Our membership of the International Post Corporation, Energy Management and Monitoring Standard (IPC EMMS), has provided an effective reporting template since 2009.

This system of benchmarking performance among member Posts allows us to drive change within the business, evaluating our Company across a range of indicators. Our participation and performance results are fully audited and published annually as a sector wide, sustainability report.

Within IPC EMMS, we have progressed to mid ranking in terms of both our carbon and energy use. This in turn places us within range of achieving the national public sector energy consumption target of 33% reduction before the year 2020. In this regard we began annual reporting of our energy consumption to the Department of Communications, Energy and Natural Resources in 2012.

**In 2013 we aim to improve our IPC EMMS ranking and make even better use of energy by developing an energy management system specific to the Company's needs.**

In 2013 we aim to improve our IPC EMMS ranking and make even better use of energy by developing an energy management system specific to the Company's needs.

The Company began preparatory work to implement ISO 50001, Energy Management System during 2012. We aim to achieve accreditation by quarter three, 2013. We believe we will be the first postal operator to achieve this standard, which provides us with a framework to:

- Develop policy for more efficient energy use
- Fix targets and objectives to meet policy
- Use data to better understand and make decisions about our Company's energy use
- Measure the results
- Review policy effectiveness
- Make continuous improvements in the area of energy management

It is envisaged that the scope of ISO 50001 will be extended to incorporate our transport function in 2014.

**Throughout 2012 we worked towards our strategic target of a 33% reduction in kWhrs and 20% reduction in $CO_2$ use.**

*Energy Use*
The vast majority of the Company's energy usage is comprised of:

- Heating and lighting our facilities
- Fuel consumption within our transport fleet

In 2012 An Post consumed 122.15 GWh of energy throughout the Company.
The breakdown of which is:

- 22.5 GWh of electricity
- 20.7 GWh of fossil fuels for heating
- 79.15 in fossil fuels for Transport.

Throughout 2012 we have continued working towards the Company's strategic target of a 33% reduction in kWhrs and 20% reduction in $CO_2$ by undertaking the initiatives and programmes identified below.

- Investment in better control of our lighting systems, which resulted in a considerable saving of 350 MWhrs
- Further upgrades to the Building Management System were implemented in order to improve control of our energy consumption in the GPO. The Building Management System (BMS) project was rolled out to Baldoyle Delivery Service Unit (DSU) and Churchtown DSU saving 160 MWhrs
- The Company's heating project was rolled out to ten offices resulting in 200 MWhrs savings
- Aligning our Energy Management System (EnMS) with ISO 50001
- An energy initiative focusing on heating was piloted in Athlone Mails Centre with initial goals achieved, energy savings of 400MWh are targeted by end 2013
- Incorporating energy efficiency initiatives into all new building works

*Actions planned for 2013:*
An Post is committed to improving its energy and CO2 reduction by undertaking the following initiatives for 2013:

- Achieving Certification to ISO 50001.
- Investing further in lighting upgrades throughout our property portfolio.
- The roll out of the energy improvement projects
  - Heating initiatives targeted at our top 30 energy users
  - Temperature control measures introduced to all our Mails Centres
  - A system of internal heating timers to be installed in the majority of our offices
  - A system of heating controls incorporating external/ambient temperature sensors among high energy users.
- Supporting our local offices to implement a Company-wide benchmarking system for energy use, to identify energy improvement opportunities in each office and to contribute to our overall energy performance targets.

*Eco-driving challenge*
Collection and Delivery staff from around the country participated in the inaugural An Post Eco Driver Challenge. The objective of the event is to encourage sustainable thinking among our drivers, enhance employee engagement and demonstrate that eco-driving is good for both the environment and our business.

**anpostschoolbag.ie is an online education resource dedicated to informing primary and secondary level students and teachers about the breadth of An Post's involvement in Irish economic, environmental and community life.**

*Eco-cleaning products*
The Company has completed one full year of using a new range of environmentally friendly cleaning and washroom consumables, having implemented a cohesive nationwide purchasing policy for all An Post properties. The benefits of the product range include vastly reduced packaging, transport and waste. The product is also certified with the EU eco-label, the EU flower.

**Workplace**
*Diversity*
An Post is one of eleven founding organisations to have signed the first Diversity Charter Ireland, marking our voluntary commitment to effective diversity management, promoting equality and preventing discrimination on all nine equality grounds which include disability.

An Post has launched a new Equality and Diversity site on our Intranet which presents an extensive resource of information relating to Equality and Diversity issues and legislation; Disability; Policy documents; Gay/Lesbian/Bisexual/Transgender topics; and Work-Life-Balance initiatives within An Post.

The aim of this site is to promote and develop awareness of Equality and Diversity issues and to highlight related topics which can impact on our employees.

*Disability Equality eLearning*
An Post commenced the roll out of the National Disability Authority's Disability Equality eLearning course, which was produced with the participation of public service bodies (including An Post).

Based on the subject of good customer service, the course focuses on changing attitudes in order to eliminate barriers which restrict access to important facilities, services and information for those with a disability. The training course helps to develop heightened disability awareness – an awareness which is encompassed in our core values, "Respect and Personal Accountability" and "Respected Corporate Citizen".

This course assists An Post in fulfilling its obligations in line with associated Irish legislation (i.e. Disability Act 2005; Equality Status Act 2000, Equality Act 2004; and the Employment Equality Acts 1998 to 2011).

*Community*
We launched our revised education programme in 2012 with the arrival of anpostschoolbag.ie to primary and secondary schools nationwide.

anpostschoolbag.ie is an online education resource dedicated to informing primary and secondary level students and teachers about the breadth of An Post's involvement in Irish economic, environmental and community life.

**We now position our sponsorships within the context of their economic benefit to the country and return on investments.**

The anpostschoolbag.ie resource is tailored to schools' own technological capability – whiteboards and PCs. Content focuses on the full range of An Post's mails and retail business services, while delivering classroom activities directly linked to the curriculum. Resources are designed to creatively highlight An Post's commitment to sustainability and community. All information is available in both English and Irish.

*An Post Cycling*
An Post is the leading supporter of Irish Cycling, a presence we have built on over six years of real commitment to the sport. We are more than a sponsor of cycling - we have earned the role of valued partner in each of the events we support.

We have pioneered a business led approach to maximising participation and audience for the sport at every level.

We remain optimistic that our support will encourage other commercial sponsors to get involved with the sport. This commercial approach to our sponsorship has been important for our business and has worked well for cycling. We now position our achievements in the context of the economic benefits to the country, the return on investment we achieve in terms of brand awareness and our contribution to Irish life through the sport of cycling.

In 2012, An Post supported the An Post Sean Kelly Team, An Post Rás, An Post Cycle Series, An Post Rás na mBan, the Irish Cycling Show and the Irish Paracycling team on the road to the London 2012 Games.

# STAMP ISSUES AND PHILATELIC PUBLICATIONS

**In 2012, An Post issued a total of 37 special and commemorative stamps covering such diverse topics as Significant Science Milestones – Dublin City of Science and Boyle's Law, Barnardos Ireland, Olympic Games – London 2012, and Europa – "Visit Ireland."**

Included amongst the highlights of the 2012 stamp programme were the four poignant stamps issued to commemorate the Centenary of the sinking of the Titanic; two eerie illustrations by David Rooney to mark the Centenary of the death of Bram Stoker, the creator of Dracula; and a set of memorable stamps to celebrate the 50th International Eucharistic Congress – which was held in Ireland for the first time since 1932.

A series of four stamps was designed by Ger Garland to celebrate Contemporary Arts - Dance. Issued as diamond shaped stamps, and contained within an innovative diamond shaped booklet, the set featured a range of modern dance movements from: Fabulous Beast Dance Theatre, Dance Theatre of Ireland, Irish Modern Dance Theatre and CoisCéim Dance Theatre.

Noted artist, Vincent Killowry created two atmospheric paintings for the Volvo Ocean Race stamps, while Fergus Lyons painted the images on which the Irish Myths and Legends stamp set was based. Designed by Steve Simpson, these legendary stamps depict the adventures of The Children of Lir, Deirdre of the Sorrows, Fionn Mac Cumhaill and Setanta.

Designed by Zinc Design Consultants, the 150th Anniversary of the Dublin Fire Brigade used dramatic photography to capture the heroic actions of members of the Brigade, who risk their lives on a daily basis as a frontline public service.

In addition, 2012 saw the introduction of phase III of the Seventh Definitive Series - Irish Animals and Marine Life. Phase III continued the roll-out of this beautiful series on the recently introduced format, Stamps On A Roll (SOAR). SOAR is now available at all post offices and allows the denomination of the stamp to be printed at the time of purchase.

A diverse portfolio of associated collateral was also produced, including Prestige Booklets, miniature sheets, a Year Pack and First Day Cover Collection. Once again, the Irish Stamps Year Book was produced in both standard and luxury editions. As ever, this strictly limited edition featured all issues from the annual programme, and was produced to the highest standards of design, with stunning imagery and informative text.

In May 2012, an exhibition of more than 30 original Susan Sex paintings from the Irish Wild Flower Definitive stamp series was held in the National Botanic Gardens, Dublin. An Post assisted with the exhibition, temporarily loaning original artwork and producing a six page exhibition brochure.


ÉIRE 55c


ÉIRE 55c
Greetings Beannachtaí
ÉIRE 55c
Greetings Beannachtaí


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NOLLAIG
Éire
€0.82
12313
02501000001 2
NOLLAIG
Éire 55c
NOLLAIG


ÉIRE 82c
ÉIRE 82c
ÉIRE 55c
ÉIRE 55c
Myths and Legends
Miotais agus Finscéalta


VOLVO OCEAN RACE RÁS AIGÉIN VOLVO
ÉIRE
€3
VOLVO OCEAN RACE RÁS AIGÉIN VOLVO


Éire
55c
BRIOGÁID DÓITEÁIN BHAILE ÁTHA CLIATH 150 DUBLIN FIRE BRIGADE 150

Éire
55c
BRIOGÁID DÓITEÁIN BHAILE ÁTHA CLIATH 150 DUBLIN FIRE BRIGADE 150

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Éire
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ESOF 2012 DUBLIN CITY OF SCIENCE
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350TH ANNIVERSARY OF BOYLE'S LAW
2012

Éire
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ÉIRE 2012 IRELAND
Ireland's Chairmanship of the Organisation for Security and Co-operation in Europe 2012
Cathaoirleacht na hÉireann ar an Eagraíocht um Shlándáil agus Comhar san Eoraip 2012

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55c
Barnardos
BARNARDOS IRELAND 1962–2012

ÉIRE 55c
LONDON 2012
FOIREANN ÉIREANN | TEAM IRELAND

ÉIRE 82c
ÉIRE
IRELAND
LONDON
2012
LONDON 2012
FOIREANN ÉIREANN | TEAM IRELAND

ÉIRE
55c
EUROPA
CUAIRT AR ÉIRINN VISIT IRELAND

CUAIRT AR ÉIRINN VISIT IRELAND
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82c
EUROPA


ÉIRE 82c
TITANIC
ÉIRE 82c
TITANIC
ÉIRE 55c
TITANIC
ÉIRE 55c
TITANIC


ÉIRE 55c
ÉIRE 82c


ÉIRE
Bram Stoker 1847-1912
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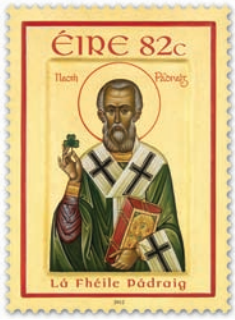
ÉIRE
Bram Stoker 1847-1912
55c


ÉIRE 82c
Lá Fhéile Pádraig


ÉIRE 55c
ÉIRE 55c
ÉIRE 55c
ÉIRE 55c

# INDEX

**The directors have pleasure in submitting their twenty ninth Annual Report together with the audited financial statements of the Group for the year ended 31 December 2012, in fulfilment of their obligations under the Companies Acts, 1963 to 2012.**

1. **The Group and its Principal Activities**
   The Company operates the national postal service and money transmission services and provides agency services for Government Departments, the National Treasury Management Agency, An Post National Lottery Company and other bodies.

   One ordinary share is held by the Minister for Finance (which stands transferred to the Minister for Public Expenditure and Reform under the Ministers and Secretaries Act 2011), and the remainder of the issued share capital is held by the Minister for Communications, Energy and Natural Resources.

   Details of the activities carried on by subsidiary, associated and joint venture undertakings, together with the information required by Section 158 of the Companies Act, 1963, are given in note 24 to the financial statements.

2. **Results**
   Details of the results for the year are set out in the consolidated profit and loss account on page 49 and in the related notes to the financial statements. The directors do not propose the payment of a dividend for the year.

3. **Business Review**
   The Group operating loss for the year is €17.5m. Comparison with the prior year, when there was an operating profit of €2.2m, needs to take into account the significant one off mails revenue of €28m arising from a General and Presidential election in 2011.

   Turnover from continuing operations at €807.3m is marginally up on 2011. The decline in traditional mails volumes continued. The year saw increased revenue from subsidiaries. The programme of cost reduction in the core business continued during 2012.

   The Group result after tax was a loss of €39.4m, having taken into account a charge of €19.8m after pension accounting, a Group corporation tax charge of €0.1m and the minority share of profits in subsidiaries of €2.0m.

   The pension deficit has decreased from €483.6m at 31 December 2011 to €284.6m at 31 December 2012 reflecting good investment returns during 2012 and a reassessment of assumptions in relation to future pay and pension increases.

   The net asset position in the balance sheet for the Group is €12.7m at 31 December 2012 compared to net liabilities of €164.6m at 31 December 2011.

   The information required by Regulation 37 of the European Communities (Companies: Group Accounts) Regulations, 1992, is included in the information given on pages 6 to 17.

In monitoring performance, the directors and management have regard to a range of key performance indicators (KPIs), including the following:

**KPI**

| | Performance in 2012 | Performance in 2011 |
|---|---|---|
| **Operating Result** | | |
| Operating (loss)/profit as a percentage of turnover | (2.2%) | 0.3% |
| Staff costs as a percentage of total operating costs | 59.9% | 61.7% |
| Postmasters' costs as a percentage of total operating costs | 9.7% | 10.0% |
| Other operating costs as a percentage of total operating costs | 30.4% | 28.3% |
| Cash at bank and in hand | €112.1m | €150.1m |
| **Staff - Average Full Time Equivalents (FTE)** | | |
| Company | 9,641 | 10,037 |
| Subsidiaries | 748 | 612 |
| Group | 10,389 | 10,649 |
| Company year end FTE run rate | 9,073 | 9,422 |
| **Mail business** | | |
| Letters core revenue index (page 77) | (5.2%) | (7.0%) |
| **Retail business** | | |
| Social welfare transactions | 43.6m | 44.1m |
| BillPay transactions | 25.2m | 24.9m |
| TV Licence sales (thousands) | 1,412k | 1,426k |
| Investment Products - net fund inflow | €1,771m | €1,084m |
| Post Office Savings Bank - net fund inflow | €228m | €149m |
| Prize Bonds - net fund inflow | €195m | €118m |
| Burglaries and Robberies - number of incidents | 53 | 67 |
| **Customer Service** | | |
| Written complaints | 23,443 | 27,814 |
| Telephone enquiries | 475,414 | 511,827 |

In accordance with the requirement to analyse the key risks and uncertainties facing the future development of the Group and Company, the following have been identified:

- impact of the general economic climate;
- the need to fully implement agreed change programmes;
- impact of electronic substitution;
- inability to fund the Universal Service Obligation;
- achieving adequate prices for services;
- the need to achieve and maintain quality of service targets;
- potential loss of significant agency services;
- failure to resolve industrial relations issues through agreed processes.

The directors have analysed these and other risks and appropriate programmes are in place to manage and control these risks. The Corporate Governance Statement on pages 33 to 39, which forms part of the Directors' Report, sets out the policies and approach to risks and the related internal control procedures and responsibilities.

**4. Directors, Secretary and their Interests**

The following changes have taken place in the composition of the Board since the date of the previous report of the directors:

Mr Jerry Condon retired on 31 October 2012.

Mr Paddy Costello retired on 31 October 2012.

Mr Gerry O'Toole retired on 31 October 2012.

Ms Anne Connolly retired on 22 November 2012.

Mr Alan Sloane retired on 31 December 2012.

Ms Catherine Woods retired on 3 February 2013.

Mr John Fitzgerald retired on 28 February 2013.

Mr Noel Adamson was appointed on 1 November 2012.

Mr William Mooney was appointed on 1 November 2012.

Ms Martina O'Connell was appointed on 1 November 2012.

Mr William Scally was appointed on 11 December 2012.

Ms Lorraine Tormey was appointed on 1 January 2013.

Mr Christoph Mueller was appointed Chairman Designate on 26 March 2013.

The directors and secretary who held office at 31 December 2012 had no interests in the shares in, or debentures of, the Company or any Group company at the beginning of the year (or date of appointment if later) or at the end of the year (2011: Nil).

**5. Employees**

The Group is an equal opportunities employer. All applications for employment are given full and fair consideration, due regard being given to the aptitude and ability of the individual and the requirements of the position concerned. All employees are treated on equal terms as regards training, career development and promotion. An Post confirms that its employment of people with disabilities exceeds the target of 3% set under the Disabilities Act, 2005.

An Post is committed to ensuring the highest safety standards and safe practices for its employees, contractors and members of the public in accordance with the Safety, Health and Welfare at Work Act, 2005. In 2012, there were 36.9 lost time accidents per 1,000 employees. This represents a minimal increase of 0.8% on 2011.

An Post is committed to reducing lost time accidents and in this regard is undertaking a safety improvement programme which included obtaining accreditation to the OHSAS 18001:2007 standard in 2011. In addition, 5,011 employees attended specific safety training courses in 2012, with many more attending other courses where safety was included in the content. This includes the provision of advanced driver training for 877 drivers who use our Company fleet. Conscious of the fact that legal obligations are the minimum acceptable standard, An Post is striving for excellence in this area and is continuing to increase awareness among employees and contractors of the necessity for the highest safety standards.

**6. Prompt Payment of Accounts**

The policy of An Post is to comply with the requirements of relevant prompt payment of accounts legislation. The Group's standard terms of credit taken, unless otherwise specified in specific contractual arrangements, are 30 days. Appropriate internal financial controls are in place, including clearly defined roles and responsibilities and monthly reporting and review of payment practices. These procedures provide reasonable but not absolute assurance against material non-compliance with the regulations.

**7. Treasury Risk Management**

The Group's treasury operations are managed in accordance with policies approved by the Board. The Group's financial instruments are limited to cash, term deposits and bank loans/overdrafts and as such the Group's operational exposure to financial risks in this regard are limited. The Group's treasury risk management policy allows for limited foreign exchange hedge positions to be taken but does not include the use of derivatives.

**8. Accounting Records**

The directors believe that they have complied with the requirements of Section 202 of the Companies Act, 1990 with regard to books of account by engaging accounting personnel with appropriate expertise and by providing adequate resources to the finance function. The books of account of the Company are maintained at the Company's premises at the General Post Office O'Connell Street, Dublin 1.

**9. Auditors**

In accordance with Section 160(2) of the Companies Act, 1963, the auditor, KPMG, Chartered Accountants, will continue in office.

On behalf of the Board

James Wrynn, **Director**
Donal Connell, **Director**
27 March 2013

**Maintaining high standards of corporate governance continues to be a priority for the directors of An Post. In developing its corporate governance policy, the Board has sought to give effect to the Code of Practice for the Governance of State Bodies, issued by the Department of Finance and to apply the principles of good governance appropriate to the enterprise.**

The directors are accountable to the shareholders for good corporate governance and this report addresses how the Code of Practice for the Governance of State Bodies and the principles of good governance have been applied within An Post.

**The Board**

The Group is controlled through its Board of directors. The Board's main roles are to oversee the operation of the Group, to provide leadership, to approve strategic objectives and to ensure that the necessary financial and other resources are made available to enable those objectives to be met. The Board meets on a monthly basis and certain matters are specifically reserved to the Board for its decision.

The specific responsibilities reserved to the Board include: setting Group strategy and approving an annual budget and medium-term projections; reviewing operational and financial performance; approving major capital expenditure; reviewing the Group's systems of financial control and risk management; ensuring that appropriate management development and succession plans are in place; reviewing the environmental, health and safety performance of the Group; approving the appointment of the Company Secretary; and maintaining satisfactory communication with shareholders.

The Board has delegated the following responsibilities to management: the development and recommendation of strategic plans for consideration by the Board that reflect the longer-term objectives and priorities established by the Board; implementation of the strategies and policies of the Group as determined by the Board; monitoring of the operating and financial results against plans and budgets; prioritising the allocation of technical and human resources; and developing and implementing risk management systems.

**The Roles of the Chairman and the Chief Executive**

The Chairman leads the Board in the determination of its strategy and in the achievement of its objectives. The Chairman is responsible for organising the business of the Board, ensuring its effectiveness and setting its agenda. The Chairman facilitates the effective contribution of all directors and constructive relations between the executive director and the other directors, ensures that directors receive relevant, accurate and timely information and manages effective communication with shareholders.

The Chief Executive has direct charge of the Group on a day to day basis and is accountable to the Board for the financial and operational performance of the Group.

**Directors and Directors' Independence**

All directors are appointed to the Board by the Minister for Communications, Energy and Natural Resources and their conditions of appointment and fees are set out in writing. Employee directors are elected in accordance with the Worker Participation (State Enterprises) Acts, 1977 to 1993 for a term of four years. The postmaster director is elected in accordance with Section 81 of the Postal and Telecommunications Services Act, 1983 for a term of three years. All other directors are appointed for a fixed term, usually five years.

The Board is currently comprised of thirteen directors viz: the Chairman (designate), the Chief Executive, five employee directors, one postmaster director and five non-executive directors. The names of the directors together with their biographical details are set out on pages 4 and 5. The positions of Chairman and Chief Executive are held by different people. Given its legal status as a State Company and the responsibility of its principal shareholder in the appointment of directors, the Board believes that it has fulfilled all of the obligations that are required in respect of the appointment of directors.

The Board has formal procedures in place whereby the Chairman meets with the Board without the executive director being present. Directors have the right to ensure that any unresolved concerns they may have about the running of the Group or about a particular course of action are recorded in the Board minutes. If they have any such concerns, they may, on resignation, provide a written statement to the Chairman, for circulation to the Board.

The directors are given access to independent professional advice at the Group's expense where they deem it necessary to discharge their responsibilities as directors.

**Professional Development**
On appointment, all new directors take part in an induction programme when they receive information about the Group, the role of the Board and the matters reserved for its decision, the terms of reference and membership of the principal Board and Board Committees, the Group's corporate governance practices and procedures, including the responsibilities delegated to Group senior management, and the latest financial information about the Group. This will typically be supplemented by meetings with key senior executives. Throughout their period in office, the directors are continually updated on the Group's business, the competitive and regulatory environments in which it operates, corporate social responsibility matters and other changes affecting the Group and the postal industry as a whole and by written briefings and meetings with senior executives. Directors are also advised on appointment of their legal and other duties and obligations as a director, both in writing and in face-to-face meetings with the Company Secretary. They are also updated on changes to the legal and governance requirements of the Group and upon themselves as directors.

**Performance Evaluation**
The Board has adopted and performed a formal process for the annual evaluation of its own performance and that of its principal Committees. This includes periodic external performance evaluation. The Board considers that the introduction of any further evaluation of individual directors would be inappropriate given the manner of appointment of directors, the shareholding structure and existing Board procedures.

**The Company Secretary**
The Company Secretary is a full time employee of An Post. The Company Secretary is responsible for advising the Board through the Chairman on all governance matters. All directors have access to the advice and services of the Company Secretary. The Company's Articles of Association provide that the appointment and removal of the Company Secretary is a matter for the full Board.

**Information**
Regular reports and papers are circulated to the directors in a timely manner in preparation for Board and Committee meetings. These papers are supplemented by information specifically requested by the directors from time to time.

The directors receive monthly management accounts and regular management reports and information which enable them to scrutinise the Group's and management's performance against agreed objectives.

**Relations with Shareholders**
The Board, through the Chairman and management, maintain an ongoing dialogue with the Company's shareholders on strategic issues. The Chairman and the Chief Executive give feedback to the Board on issues raised with them by the shareholders. All directors normally attend the Annual General Meeting and shareholders are invited to ask questions during the meeting and to meet directors after the formal proceedings have ended.

**Internal Control**
An ongoing process exists for identifying, evaluating and managing the significant risks faced by the Group. This process is periodically reviewed by the directors and has been in place throughout the accounting period and up to the date the financial statements were approved.

The directors are responsible for the Group's system of internal control and set appropriate policies on internal control, seek regular assurance that enables them to satisfy themselves that the system is functioning effectively and ensure that the system of internal control is effective in managing risks in the manner which it has approved. Such a system is designed to manage rather than eliminate business risks and can provide only reasonable rather than absolute assurance against material misstatement or loss. The key risks are set out at Section 3 of the Report of the Directors (page 31).

The directors have continued to review the effectiveness of the Group's system of financial and non-financial controls during 2012, including operational and compliance controls, risk management and the Group's high level internal control arrangements. These reviews have included an assessment of internal controls by management, management assurance of the maintenance of controls, reports from the internal auditors and reports from the external auditor on matters identified in the course of its statutory audit work.

The Group views the careful management of risk as a key management activity. The Board has adopted a Risk Management Policy and a Risk Management Framework and appointed a Chief Risk Officer. The responsibilities of the Audit and Risk Committee embrace the responsibilities of a Risk Committee. Managing business risk to deliver opportunities is a key element of all activities. This is done using a simple and flexible framework which provides a consistent and sustained way of implementing the Group's values. These business risks, which may be strategic, operational, reputational, financial or environmental, determine in each situation the level of acceptable risk and controls.

Management is responsible for the identification and evaluation of significant risks and for the design and implementation of appropriate internal controls. These risks are assessed on an ongoing basis and are derived from a variety of external and internal sources. Management reports regularly to the Board on the key risks inherent in the business and on the way in which these risks are managed. Management also reports to the Board on any significant changes in the Group's business and on any risks associated with such changes. The process used to identify and manage key risks is an integral part of the internal control environment.

The key procedures which the directors have established with a view to providing effective internal control are as follows:

- a clear focus on business objectives as determined by the Board after consideration of the statutory responsibilities and risk profile of the Group's businesses.
- a defined organisational structure with clear lines of responsibility, delegation of authority and segregation of duties designed to foster a beneficial control environment.
- a risk management process which considers the strategy and development of the business in the context of the annual budget process when financial plans and performance targets are set and reviewed by the Board in light of the Group's overall objectives.
- a reporting and control system which ensures that individual businesses report to the Board on an ongoing basis on their progress in achieving objectives. The system for reporting covers both operational and financial performance, occurs on a timely basis and ensures that budgetary variances are examined and addressed promptly.
- the preparation and issue of financial reports, including the consolidated annual accounts is managed by the Group Finance department. The Group's financial reporting process is controlled using documented accounting policies and reporting formats issued by the Group Finance department to all reporting entities (including subsidiaries) within the Group in advance of each reporting period end. The Group Finance department supports all reporting entities with guidance in the preparation of financial information. This process is supported by a network of finance managers throughout the Group, who have responsibility and accountability to provide information in keeping with agreed policies, including the completion of reconciliations of financial information to processing systems. Its quality is underpinned by arrangements for segregation of duties to facilitate independent checks on the integrity of financial data. The financial information for each entity is subject to a review at reporting entity and Group level by senior management. The annual accounts are reviewed by the Board Audit and Risk Committee in advance of being presented to the Board for their review and approval.
- an internal audit function which monitors compliance with policies and the effectiveness of internal control within the Group's businesses. The working of the internal audit function is focused on the areas of greatest risk to the Group.
- the Board Audit and Risk Committee, which approves internal and external audit plans and deals with significant control issues raised by internal and external auditors.

**Attendance at meetings of the Board, the Remuneration Committee, the Audit and Risk Committee and the Personnel Committee**
Ten Board meetings were held during the year ended 31 December 2012 and the attendance record of each director is set out in the following table:

| Name | Eligible to attend | Attended |
|---|---|---|
| John Fitzgerald | 10 | 10 |
| Noel Adamson | 2 | 2 |
| Patrick Compton | 10 | 10 |
| Jerry Condon | 8 | 7 |
| Donal Connell | 10 | 10 |
| Anne Connolly | 9 | 7 |
| Paddy Costello | 8 | 8 |
| Thomas Devlin | 10 | 9 |
| Paul Henry | 10 | 10 |
| William Mooney | 2 | 2 |
| Peter Ormond | 10 | 9 |
| Martina O'Connell | 2 | 2 |
| Gerry O'Toole | 8 | 8 |
| John Quinlivan | 10* | 5 |
| Alan Sloane | 10 | 10 |
| Catherine Woods | 10 | 7 |
| James Wrynn | 10 | 9 |

*Mr Quinlivan was unable to attend all meetings due to illness

Five meetings of the Remuneration Committee were held during the year ended 31 December 2012 and the attendance record of each director, eligible to attend, is set out in the following table:

| Name | Eligible to attend | Attended |
|---|---|---|
| John Fitzgerald | 5 | 5 |
| Donal Connell | 5 | 5 |
| John Quinlivan | 5 | 2 |
| Catherine Woods | 5 | 4 |

Eight meetings of the Audit and Risk Committee were held during the year ended 31 December 2012 and the attendance record of each director, eligible to attend, is set out in the following table:

| Name | Eligible to attend | Attended |
|---|---|---|
| James Wrynn | 8 | 8 |
| Anne Connolly | 7 | 6 |
| Paul Henry | 8 | 6 |
| Catherine Woods | 8 | 8 |

One meeting of the Personnel Committee were held during the year ended 31 December 2012 and the attendance record of each director, eligible to attend, is set out in the following table:

| Name | Eligible to attend | Attended |
|---|---|---|
| John Fitzgerald | 1 | 1 |
| Donal Connell | 1 | 1 |
| Anne Connolly | 1 | 1 |
| Jerry Condon | 1 | 1 |
| Gerry O'Toole | 1 | 1 |

**Directors' Remuneration**

The remuneration of the Chief Executive is determined in accordance with the guidelines issued by the Department of Public Expenditure and Reform for determining the remuneration of Chief Executive Officers of Commercial State Bodies and is subject to the approval of the Remuneration Committee of the Board of An Post and the Minister for Communications, Energy and Natural Resources. Fees for all directors are determined by the Minister for Communications, Energy and Natural Resources with the approval of the Minister for Public Expenditure and Reform.

The disclosures made in these financial statements relating to directors' emoluments and pension information are those required under the Code of Practice for the Governance of State Bodies.

**Remuneration Committee**

The Remuneration Committee in 2012 comprised of three non-executive directors and the Chief Executive. John Fitzgerald acted as Chairman of the Committee until his retirement on 28 February 2013. The Chief Executive absents himself from meetings when matters relating to his own remuneration are being considered. When necessary, non-Committee members are invited to attend. The Committee's principal responsibilities are:

- to determine, on behalf of the Board, the remuneration and other terms and conditions of employment of the Chief Executive, subject to compliance with Government Policy relating thereto;
- to determine, on behalf of the Board, the pay structures and terms and conditions of other senior personnel (as identified by the Chairman of the Board);
- to be informed of significant developments in industrial relations and to review industrial relations policies to ensure the strategy is consistent with the achievement of the business plans of An Post and, on behalf of the Board, to take decisions on such matters;
- to act, on behalf of the Board, and take all decisions related to pay and pay related matters, as the Chairman of the Board shall determine; and
- to act, on behalf of the Board, and take all significant decisions on matters such as remuneration policy, benefits, staff grading, third party recommendations and related issues.
- to review the continued development and implementation of a human resources strategy and furtherance of a human resources planning process.

**Audit and Risk Committee**

In 2012 the Audit and Risk Committee was comprised of four non-executive directors. James Wrynn is Chairman of the Committee. When necessary, non-Committee members are invited to attend. Under its terms of reference, the Committee is to assist the Board in fulfilling its responsibilities by providing an independent review of financial reporting, by satisfying itself as to the effectiveness of the Company's internal controls and as to the sufficiency of the external and internal audits.

The Committee is responsible for monitoring the effectiveness of the external audit process and making recommendations to the Board in relation to the appointment, re-appointment and remuneration of the external auditor. It is responsible for ensuring that an appropriate relationship between the Group and the external auditor is maintained, including reviewing non-audit services and fees. As a result of regulatory or similar requirements, it is necessary to employ the Group's external auditor for certain audit related and non-audit services.

In order to maintain the independence of the external auditor, the Audit and Risk Committee has determined policies as to what audit related and non-audit services can be provided by the Group's external auditors and the approval process related to these services. Under these policies, work of a consultancy nature will not be offered to the external auditor unless there are clear efficiencies and value-added benefits to the Group while ensuring that the objectivity and independence of the external auditor is maintained. The Audit and Risk Committee monitors the level of fees paid to the external auditor.

The Committee reviews annually the Group's systems of internal control and the processes for monitoring and evaluating the risks facing the Group.

The Committee also assists and, where relevant, makes recommendations to the Board on the discharging of its responsibilities in relation to security. The Committee meets with management, as well as privately with the external auditor.

In 2012, the Audit and Risk Committee discharged its responsibilities by:

- reviewing the Group's draft financial statements for 2011 prior to Board approval and meeting and reviewing with the external auditor their reports thereon;
- reviewing the appropriateness of the Group's accounting policies;
- reviewing the potential impact on the Group's financial statements of significant matters arising during the year;
- reviewing the resources of internal audit, approving the internal audit plans, reviewing internal audit reports and dealing with significant control issues raised by the internal auditor;
- reviewing the tender process for the appointment of the external auditor;
- reviewing the audit fee and non-audit fees payable to the Group's external auditor;
- reviewing the external auditors' plan for the audit of the Group's financial statements for 2012, confirmations of auditor independence and the proposed audit fee, and approving the terms of engagement for the audit on behalf of the Board;
- monitoring implementation of the recommendations of an external report commissioned by management in light of an identified incident of loss at a retail branch in 2011;
- reviewing the Risk Management Policy and the Risk Management Framework;
- reviewing the key risks to the business and considering the adequacy of the Group's system of risk identification and assessment;
- reviewing an annual report on the Group's systems of internal control and its effectiveness, reporting to the Board on the results of the review and receiving regular updates on key risk areas of financial control;
- reviewing security policies and procedures for the protection of staff, postmasters and customers and for safeguarding assets and the implementation of and compliance with those policies and procedures.

The Group operates procedures to ensure that appropriate arrangements are in place for employees to be able to raise, in confidence, matters of possible impropriety, with suitable subsequent follow-up action. Reporting channels have been created whereby perceived wrongdoing may be reported via post, telephone and email, anonymously if preferred.

**Nomination Committee**

As all the authority regarding the appointment of directors is vested in the Minister for Communications, Energy and Natural Resources, with the consent of the Minister for Public Expenditure and Reform, the matter of constituting a Nomination Committee does not require consideration by the Board.

**Compliance Statement**

As noted above, in developing its corporate governance policy, the Board has sought to give effect to the Code of Practice for the Governance of State Bodies, issued by the Department of Finance, and to meet the standards of good governance appropriate to the enterprise.

The directors confirm that the Group has been in compliance with the Code of Practice for the Governance of State Bodies throughout the financial year under review.

**Going Concern**

The directors have reviewed the Group's business plan and other relevant information and have a reasonable expectation that the Group will continue in operational existence for the foreseeable future. For this reason, the directors continue to adopt the going concern basis in preparing the financial statements.

On behalf of the Board

James Wrynn, **Director**
Donal Connell, **Director**
27 March 2013

**Under the Communications Regulation (Postal Services) Act 2011 the Commission for Communications Regulation, (ComReg), is designated as the national regulatory authority for the postal sector and An Post is designated as the Universal Service Provider.**

Under the Act, the accounting procedures of An Post are required to be conducted in accordance with directions laid down by ComReg and with certain provisions in the Act. On 8 December 2006, ComReg issued a direction to An Post setting out the regulator's detailed requirements in relation to the accounting systems of An Post (the Direction).

The directors acknowledge their responsibility for compliance with the accounting provisions of the Act and the following statement describes how An Post applied the relevant provisions of the Act and the Direction for the accounting year beginning on 1 January 2012.

**Financial Records and Accounting Systems**
The financial records and accounting systems maintained by An Post contain sufficient detail to enable management to ensure that they comply with the accounting provisions of the Direction. Separate accounts are maintained for each of the services within the Universal Service.

**Separated Accounts**
Segmental profit and loss accounts and statements of net assets are being prepared for submission to ComReg for the year ended 31 December 2012. In compliance with the Direction, a competent body is reviewing these accounts and will issue an opinion on their compliance with the Direction.

**Management Accounting Manual**
A detailed accounting manual has been prepared showing the range and scope of data to be collected for the purpose of complying with the Direction and the basis on which the data is to be allocated/apportioned between services. This was submitted to ComReg in 2012.

The manual reflects the detailed revenue determination and cost allocation, apportionment principles and rules set out in the Direction.

**Statement of Compliance**
Based on the above steps and actions, the directors believe that An Post has complied with the relevant provisions of the Act and with the Direction of ComReg in relation to the Accounting Systems of An Post for the year ended 31 December 2012.

On behalf of the Board

James Wrynn, **Director**
Donal Connell, **Director**
27 March 2013

**The directors are responsible for preparing the Annual Report and financial statements, in accordance with applicable law and regulations.**

Company law requires the directors to prepare Group and Company financial statements for each financial year. Under that law the directors have elected to prepare the Group and Company financial statements in accordance with Generally Accepted Accounting Practice in Ireland, comprising applicable law and the accounting standards issued by the Financial Reporting Council and promulgated by the Institute of Chartered Accountants in Ireland.

The Group and Company financial statements are required by law to give a true and fair view of the state of affairs of the Group and the Company and of the profit or loss of the Group for that period.

In preparing each of the Group and Company financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

The directors are responsible for keeping proper books of account which disclose with reasonable accuracy at any time the financial position of the Group and Company and to enable them to ensure that the financial statements comply with the Companies Acts, 1963 to 2012. They are also responsible for taking such steps as are reasonably open to them to safeguard the assets of the Group and Company and to prevent and detect fraud and other irregularities.

The directors are also responsible for preparing a Directors' Report that complies with the requirements of the Companies Acts, 1963 to 2012.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the Republic of Ireland governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

On behalf of the Board

**James Wrynn, Director**
**Donal Connell, Director**
27 March 2013

**We have audited the Group and Company financial statements ("financial statements") of An Post for the year ended 31 December 2012 which comprise the consolidated profit and loss account, the consolidated statement of total recognised gains and losses, the consolidated balance sheet, the company balance sheet, the consolidated cash flow statement, the statement of accounting policies and the related notes.**

The financial reporting framework that has been applied in their preparation is Irish law and accounting standards issued by the Financial Reporting Council and promulgated by the Institute of Chartered Accountants in Ireland (Generally Accepted Accounting Practice in Ireland).

This report is made solely to the Company's members, as a body, in accordance with section 193 of the Companies Act 1990. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

**Respective Responsibilities of Directors and Auditor**

As explained more fully in the Directors' Responsibilities Statement set out on page 41 the directors are responsible for the preparation of the financial statements giving a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with Irish law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Ethical Standards for Auditors issued by the Auditing Practices Board.

**Scope of the Audit of the Financial Statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group and Company circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

**Opinion on Financial Statements**

In our opinion:

- the financial statements give a true and fair view, in accordance with Generally Accepted Accounting Practice in Ireland, of the state of the Group's and Company's affairs as at 31 December 2012 and of the Group's loss for the year then ended; and
- the financial statements have been properly prepared in accordance with the Companies Acts, 1963 to 2012.

**Matters on which we are required to report by the Companies Acts, 1963 to 2012**

We have obtained all the information and explanations which we consider necessary for the purposes of our audit.

The balance sheet of the Company is in agreement with the books of account and, in our opinion, proper books of account have been kept by the Company.

In our opinion the information given in the directors' report is consistent with the financial statements.

The net assets of the company, as stated in the balance sheet are more than half of the amount of its called-up share capital and, in our opinion, on that basis there did not exist at 31 December 2012 a financial situation which under Section 40(1) of the Companies (Amendment) Act, 1983 would require the convening of an extraordinary general meeting of the company.

**Matters on which we are required to report by exception**
We have nothing to report in respect of the following:

Under the Companies Acts 1963 to 2012 we are required to report if, in our opinion the disclosures of directors' remuneration and transactions specified by law are not made.

Under the Code of Practice for the Governance of State Bodies ("the Code") we are required to report if the statement regarding the system of internal financial control required under the Code as included in the Corporate Governance Statement on pages 33 to 39 does not reflect the Group's compliance with paragraph 13.1 (iii) of the Code or if it is not consistent with the information of which we are aware from our audit work on the financial statements and we report if it does not.

**Caroline Flynn**
for and on behalf of

KPMG
Chartered Accountants, Statutory Audit Firm
1 Stokes Place
St. Stephen's Green
Dublin 2
27 March 2013

## REPORT OF THE INDEPENDENT AUDITOR TO AN POST ON COMPLIANCE WITH THE REGULATOR'S DIRECTION ON THE ACCOUNTING SYSTEMS OF AN POST AS REQUIRED BY THE COMMUNICATIONS REGULATION (POSTAL SERVICES) ACT 2011 (THE ACT)

**In addition to our audit of the financial statements, we have reviewed the directors' statement on page 40 concerning the Company's compliance, for the year ended 31 December 2012, with the accounting provisions of the Act and with the direction to An Post setting out the Regulator's detailed requirements in relation to the accounting systems of An Post (the Direction), issued on 8 December 2006 by the postal services regulator, ComReg, in relation to the accounting systems of An Post.**

**Respective Responsibilities of Directors and Auditor**
The directors prepare an annual statement of compliance with the accounting provisions of the Act and the Direction for which they are responsible. The objective of our review is to draw attention to non-compliance with the requirements of the accounting provisions of the Act and with the Direction. Our review does not constitute an audit of the separated accounts. A separate audit report will be issued on the audit of the regulatory accounts.

**Basis of Opinion**
We carried out our review in accordance with the general principles and guidance of the Auditing Practices Board.

**Opinion**
Based on enquiry of certain directors and officers of the Company and examination of relevant documents, in our opinion, the directors' statement on page 40 appropriately reflects the Company's compliance, for the year ended 31 December 2012, with the accounting provisions of the Act and with the Direction on the Accounting Systems of An Post, dated 8 December 2006 issued by ComReg.

KPMG

Chartered Accountants, Statutory Audit Firm
1 Stokes Place
St Stephen's Green
Dublin 2

27 March 2013

**The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Group's financial statements.**

1. **Basis of Preparation**
The financial statements are prepared under the historical cost convention and in accordance with applicable law and Irish Generally Accepted Accounting Practice which includes compliance with the financial reporting standards of the Financial Reporting Council as promulgated in Ireland by The Institute of Chartered Accountants in Ireland.

2. **Basis of Consolidation**
The consolidated financial statements include the financial statements of the Company and its subsidiary undertakings (except An Post National Lottery Company) made up to the end of the financial year. The results of subsidiary undertakings acquired or disposed of during the year are included in the consolidated profit and loss account from the date of acquisition or up to date of disposal. Upon the acquisition of a business, fair values are attributed to the identifiable net assets acquired. Goodwill arising on acquisitions is dealt with as set out below. If the financial year of a subsidiary undertaking does not coincide with that of the parent Company, the Group financial statements consolidate interim financial information prepared by the subsidiary at the end of the parent's financial year.

The sole activity of An Post National Lottery Company is the operation of the National Lottery under licence from the Minister for Public Expenditure and Reform in accordance with the provisions of the National Lottery Act, 1986 and the surplus generated each year is entirely attributable to the National Lottery Fund which is managed and controlled by the Minister. Accordingly, An Post does not participate in the surplus generated by An Post National Lottery Company and neither is it entitled to exercise any rights over the assets of that company. On this basis, in accordance with the provisions of Financial Reporting Standard No. 2 'Accounting for Subsidiary Undertakings' and the European Communities (Companies: Group Accounts) Regulations, 1992, the consolidated financial statements do not incorporate the financial statements of An Post National Lottery Company. Separate financial statements of An Post National Lottery Company are to be published in April 2013.

Associated undertakings (associates) are those undertakings in which the Group has a participating interest in the equity capital and over which it is able to exercise significant influence.

Associates are accounted for using the equity method of accounting. The Group's share of profits less losses of associates is included in the consolidated profit and loss account and its interests in their net assets or liabilities, other than goodwill, are included as fixed asset investments in the consolidated balance sheet.

Investment in associates are shown in the Company balance sheet as financial fixed assets and are valued at cost less provisions for impairments in value.

**3. Turnover**

Turnover is recognised as services are provided and consists of income from postage, agency services, poundage from remittance services, courier and logistic services, consultancy services, financial services, rents and interest income. Income from agency services is in respect of services performed for Government Departments, the National Treasury Management Agency, An Post National Lottery Company and other bodies. Amounts held in the performance of these agency services are included in amounts held in trust in cash at bank and at hand.

Postage income is recognised in the profit and loss account as sales are made with an adjustment to deferred revenue for stamps sold and unused and balances in postage meter machines unused at the year end. Other income, primarily agency income and service income, is recognised upon provision of the underlying service.

**4. Saving Services**

The Company operates, on an agency basis and for an agreed remuneration, the Post Office Savings Bank and other savings services for the National Treasury Management Agency, which acts on behalf of the Minister for Finance.

The funds are remitted regularly to the National Treasury Management Agency. The assets and liabilities of such savings services vest in the Minister for Finance and, accordingly, are not included in these financial statements.

**5. Grants**

Revenue based grants are credited to the profit and loss account to offset the matching expenditure.

Capital grants received and receivable under EU assisted schemes are recognised when received or when their receipt can be foreseen with virtual certainty.

Capital grants are treated as deferred income and amortised to the profit and loss account on a basis consistent with the depreciation policy of the related tangible fixed assets.

**6. Tangible Fixed Assets**

Tangible fixed assets are stated at cost less accumulated depreciation and any charges for impairment.

Freehold and long leasehold land is not depreciated. Depreciation on other tangible fixed assets is charged to the profit and loss account on a straight line basis so as to write off those assets, adjusted for estimated residual value, over the expected useful life of each category. The remaining useful lives of the assets and their residual values are reviewed on a regular basis.

Depreciation is provided on additions with effect from the first day of the month following commissioning and on disposals up to the end of the month of retirement.

The estimated useful lives are as follows:

| | Years |
|---|---|
| Freehold & long leasehold buildings | 20–50 or lease term if shorter |
| Interest in GPO | 50 |
| Motor vehicles | 5 |
| Operating & computer equipment | 3–10 |

**7. Operating Leases**

Operating lease rentals are charged to the profit and loss account on a straight line basis over the lease term.

**8. Goodwill**

Goodwill arising on acquisitions, representing the excess of the purchase price over the fair value of the net identifiable assets or liabilities acquired, is capitalised and amortised to the profit and loss account on a straight line basis over its expected useful life of up to twenty years. The carrying value of goodwill is reviewed annually and provision is made for any impairment in value. On disposal of a business, any goodwill is included in determining the profit or loss on sale of the business.

**9. Financial Fixed Assets**

Financial fixed assets are shown at cost less provisions for impairments in value. Income from financial fixed assets, together with any related tax credit, is recognised in the profit and loss account in the year in which it is receivable.

**10. Taxation**

Current tax, including Irish corporation tax and foreign tax(es), is provided for on the Group's taxable profits, at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date. Provision is made at the rates expected to apply when the timing differences reverse. Timing differences are differences between the Group's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in taxable profits in periods different from those in which they are recognised in the financial statements.

A net deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is recognised in respect of the retained earnings of overseas subsidiaries and associates only to the extent that, at the balance sheet date, dividends have been accrued or receivable or a binding agreement to distribute past earnings in future has been entered into by the subsidiary or associate.

**11. Pensions**

The Group provides pensions to its employees under defined benefit superannuation schemes and a defined contribution scheme. It also provides retirement gratuities under normal circumstances to postmasters engaged as agents and to certain non-pensionable employees.

In relation to the defined contribution scheme, contributions are accrued and recognised in operating profit or loss in the period in which they are earned by the relevant employees.

For the defined benefit schemes, the difference between the market value of the schemes' assets and the actuarially assessed present value of the schemes' liabilities, calculated using the projected unit credit method, is disclosed as an asset/liability on the balance sheet, net of a deferred tax liability or asset (to the extent that it is recoverable).

The amount charged to operating profit is the actuarially determined cost of pension benefits promised to employees earned during the year plus any benefit improvements granted to members during the year.

The expected return on the pension schemes' assets during the year and the increase in the schemes' liabilities due to the unwinding of the discount rate during the year are shown as financing costs in the profit and loss account.

Any difference between the expected return on assets and that actually achieved and any changes to the liabilities due to changes in assumptions or because actual experience during the year was different to that assumed, are recognised as actuarial gains and losses in the statement of total recognised gains and losses.

In relation to the unfunded liability for retirement gratuities, the actuarially determined present value of the liability is recorded in full in the balance sheet and it is increased for the cost of additional benefits earned during the year which is charged to operating profit. The unwinding of the discount on the liability is shown as a financing cost in the profit and loss account. Changes to the liability as a result of changes in measurement assumptions or because actual experience is different to that assumed are considered to be an actuarial gain or loss and are included in the statement of total recognised gains and losses.

**12. Foreign Currencies**

Transactions denominated in foreign currencies are translated into euro and recorded at the rates of exchange ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated into euro at the rates of exchange ruling at the balance sheet date or at forward purchase contract rates where such contracts exist. All such exchange differences are dealt with in the profit and loss account.

Results of overseas subsidiaries are translated into euro at the average exchange rate for the period. The assets and liabilities of overseas subsidiaries are translated into euro at rates of exchange ruling at the balance sheet date. Translation differences are reported as a movement on reserves.

## CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2012

| | Notes | 2012 €'000 | 2011 €'000 |
|---|---|---|---|
| **Group turnover – continuing operations** | 2 | 807,295 | 806,714 |
| Operating costs | 3 | (824,779) | (804,498) |
| **Group operating (loss)/profit – continuing operations** | | (17,484) | 2,216 |
| Other finance (expense)/income net | 17 | (19,750) | 1,550 |
| **(Loss)/profit on ordinary activities before taxation** | 4 | (37,234) | 3,766 |
| Tax on (loss)/profit on ordinary activities | 5 | (129) | (2,134) |
| **(Loss)/profit on ordinary activities after taxation** | | (37,363) | 1,632 |
| Minority interest | 21 | (2,014) | (1,285) |
| **(Loss)/profit for the financial year** | 6/19 | (39,377) | 347 |

On behalf of the Board

James Wrynn, **Director**
Donal Connell, **Director**

## CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES FOR THE YEAR ENDED 31 DECEMBER 2012

| | Notes | 2012 €'000 | 2011 €'000 |
|---|---|---|---|
| (Loss)/profit for the financial year | | (39,377) | 347 |
| Actuarial gain/(loss) on post employment plans | 17 | 214,700 | (121,630) |
| **Total recognised gains/(losses)** | | 175,323 | (121,283) |

## CONSOLIDATED BALANCE SHEET AT 31 DECEMBER 2012

| | Notes | 2012 €'000 | 2011 €'000 |
|---|---|---|---|
| **Fixed Assets** | | | |
| Intangible assets - goodwill | 8 | 22,253 | 24,599 |
| Tangible assets | 9 | 272,532 | 266,530 |
| Financial assets | 10 | - | - |
| | | 294,785 | 291,129 |
| **Current Assets** | | | |
| Debtors | 11 | 103,155 | 112,235 |
| Cash at bank and in hand | 12 | 112,105 | 150,064 |
| | | 215,260 | 262,299 |
| **Creditors:** Amounts falling due within one year | 13 | (186,007) | (191,572) |
| **Net Current Assets** | | 29,253 | 70,727 |
| **Total Assets less Current Liabilities** | | 324,038 | 361,856 |
| **Creditors:** Amounts falling due after more than one year | 15 | (4,360) | (3,461) |
| **Provisions for Liabilities** | 16 | (22,352) | (39,432) |
| **Net Assets excluding Pension Liability** | | 297,326 | 318,963 |
| **Pension Liability** | 17 | (284,620) | (483,594) |
| **Net Assets/(Liabilities) including Pension Liability** | | 12,706 | (164,631) |
| **Capital and Reserves** | | | |
| Called up share capital | 18 | 68,239 | 68,239 |
| Capital conversion reserve fund | 18 | 877 | 877 |
| Profit and loss account | 19 | (52,265) | (227,588) |
| **Shareholders' Funds/(Deficit)** | 20 | 16,851 | (158,472) |
| Minority interest | 21 | (4,145) | (6,159) |
| | | 12,706 | (164,631) |

On behalf of the Board

James Wrynn, **Director**
Donal Connell, **Director**

## COMPANY BALANCE SHEET AT 31 DECEMBER 2012

| | Notes | 2012<br>€'000 | 2011<br>€'000 |
|---|---|---|---|
| **Fixed Assets** | | | |
| Tangible assets | 9 | 274,745 | 270,986 |
| Financial assets | 10 | 8,969 | 11,084 |
| | | 283,714 | 282,070 |
| **Current Assets** | | | |
| Debtors | 11 | 54,051 | 67,724 |
| Cash at bank and in hand | 12 | 104,623 | 141,178 |
| | | 158,674 | 208,902 |
| **Creditors:** Amounts falling due within one year | 13 | (163,150) | (164,595) |
| **Net Current (Liabilities)/Assets** | | (4,476) | 44,307 |
| **Total Assets less Current Liabilities** | | 279,238 | 326,377 |
| **Creditors:** Amounts falling due after more than one year | 15 | (3,360) | (3,461) |
| **Provisions for Liabilities** | 16 | (22,352) | (39,432) |
| **Net Assets excluding Pension Liability** | | 253,526 | 283,484 |
| **Pension Liability** | 17 | (284,620) | (483,594) |
| **Net Liabilities including Pension Liability** | | (31,094) | (200,110) |
| **Capital and Reserves** | | | |
| Called up share capital | 18 | 68,239 | 68,239 |
| Capital conversion reserve fund | 18 | 877 | 877 |
| Profit and loss account | 19 | (100,210) | (269,226) |
| **Shareholders' Deficit** | 20 | (31,094) | (200,110) |

On behalf of the Board

James Wrynn, **Director**
Donal Connell, **Director**

## CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2012

| | Notes | 2012 €'000 | 2011 €'000 |
|---|---|---|---|
| **Net cash outflow from operating activities** | 22 | (5,757) | (15,447) |
| **Taxation** | 22 | (1,729) | 2,796 |
| **Capital expenditure and financial investment** | 22 | (30,442) | (31,778) |
| **Acquisitions** | 22 | - | (3,310) |
| **Financing** | 22 | - | (1,000) |
| **Cash outflow before use of liquid resources** | | (37,928) | (48,739) |
| **Management of liquid resources** | 22 | 57,760 | 50,195 |
| **Increase in cash in the year** | | 19,832 | 1,456 |

## RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS

| | Notes | 2012 €'000 | 2011 €'000 |
|---|---|---|---|
| **Increase in cash in the year** | 23 | 19,832 | 1,456 |
| Cash flows from change in liquid resources | 23 | (57,760) | (50,195) |
| Change in net funds resulting from cash flows | 23 | (37,928) | (48,739) |
| **Net funds at beginning of year** | 23 | 147,603 | 196,342 |
| **Net funds at end of year** | 23 | 109,675 | 147,603 |

### 1. Status of Company

The Company is a limited liability company, incorporated under the Companies Acts, 1963 to 2012. Under the Postal and Telecommunications Services Act, 1983, the Company is entitled to omit the word 'Limited' from its name.

### 2. Turnover

| | 2012 €'000 | 2011 €'000 |
|---|---|---|
| The analysis of turnover is as follows: | | |
| **Republic of Ireland** | | |
| Postage: Letters and parcels | 501,450 | 507,306 |
| Postage: Elections and referendum | 3,725 | 27,996 |
| Post offices: Agency, remittance and related services | 169,041 | 171,613 |
| Other services | 42,072 | 41,598 |
| Interest income | 8,760 | 9,358 |
| | 725,048 | 757,871 |
| **United Kingdom** | | |
| Other services | 82,247 | 48,843 |
| | 807,295 | 806,714 |

In the opinion of the directors, fuller compliance with the disclosure requirements of SSAP 25 'Segmental Reporting' would be prejudicial to the Group's interests.

### 3. Operating Costs

| | 2012 €'000 | 2011 €'000 |
|---|---|---|
| The consolidated costs for the Group were as follows: | | |
| **Staff costs** | | |
| Wages and salaries | 416,369 | 418,735 |
| Postmasters' costs | 74,614 | 74,432 |
| Social welfare costs | 36,270 | 36,648 |
| | 527,253 | 529,815 |
| Other pension costs | 46,663 | 46,580 |
| | 573,916 | 576,395 |
| **Other costs** | | |
| Distribution | 95,360 | 72,396 |
| Facilities | 26,291 | 25,998 |
| Operational | 70,286 | 63,146 |
| Administration | 33,942 | 39,737 |
| Depreciation and amortisation of goodwill | 24,984 | 26,826 |
| | 250,863 | 228,103 |
| | 824,779 | 804,498 |

## 4. (Loss)/profit on ordinary activities before taxation

| | 2012 €'000 | 2011 €'000 |
|---|---|---|
| The (loss)/profit on ordinary activities before taxation is stated after charging: | | |
| **Directors' emoluments** | | |
| Fees | 237 | 244 |
| Other emoluments | 345 | 402 |
| Pension contributions | 77 | 77 |
| **Expenses paid to Directors** | | |
| Travel | 8 | 18 |
| Subsistence | 3 | 6 |
| Other | 1 | 1 |
| **Auditor's remuneration - Group** | | |
| Audit of the financial statements | 239 | 299 |
| Other assurance services | 132 | 155 |
| Tax advice services | 207 | 145 |
| Other non-audit services | 89 | 110 |
| **Auditor's remuneration – An Post company** | | |
| Audit of the financial statements | 142 | 173 |
| Other assurance services | 98 | 111 |
| Tax advice services | 178 | 145 |
| Other non-audit services | 89 | 110 |
| Depreciation | 22,547 | 24,085 |
| Amortisation of goodwill | 2,437 | 2,741 |
| **Operating lease rentals:** | | |
| Rental of buildings | 8,913 | 8,357 |
| Other - equipment and motor vehicles | 13,964 | 14,657 |
| and after crediting: | | |
| Capital grants amortised | 102 | 102 |
| Profit on sale of fixed assets | 417 | 131 |

The amounts shown above as directors' emoluments include only the amounts paid to the directors in the execution of their duties as directors and the salary of the Chief Executive who is also a director. Other than this, they do not include the salaries of the employee and postmaster directors.

### 4. (Loss)/profit on ordinary activities before taxation (continued)

The remuneration package of Mr Donal Connell, Chief Executive Officer, which is included in the amounts shown as directors' emoluments, was as follows:

| | 2012 €'000 | 2011 €'000 |
|---|---|---|
| Basic salary | 328 | 381 |
| **Other emoluments:** | | |
| Taxable benefits, including use of a company car | 17 | 21 |
| Director's fee | 16 | 16 |
| Pension contributions | 77 | 77 |
| | 438 | 495 |

The fees paid to each director were as follows:

| | 2012 €'000 | 2011 €'000 |
|---|---|---|
| John Fitzgerald | 31 | 31 |
| Noel Adamson | 3 | - |
| Patrick Compton | 16 | 16 |
| Jerry Condon | 13 | 16 |
| Donal Connell | 16 | 16 |
| Anne Connolly | 14 | 16 |
| Paddy Costello | 13 | 16 |
| Thomas Devlin | 16 | 16 |
| Paul Henry | 16 | 4 |
| Ciara Hurley | - | 4 |
| James Hyland | - | 24 |
| Brian McConnell | - | 4 |
| William Mooney | 3 | - |
| Martina O'Connell | 3 | - |
| Gerry O'Toole | 13 | 16 |
| Peter Ormond | 16 | 13 |
| John Quinlivan | 16 | 16 |
| Alan Sloane | 16 | 16 |
| Catherine Woods | 16 | 16 |
| James Wrynn | 16 | 4 |
| Total | 237 | 244 |

**5. Tax on (Loss)/Profit on Ordinary Activities**

| | 2012 €'000 | 2011 €'000 |
|---|---|---|
| **Current tax** | | |
| Ireland – Corporation tax | (45) | 1,605 |
| Ireland – Adjustment with respect of prior years | (385) | (16) |
| UK – Corporation tax | 559 | 545 |
| | 129 | 2,134 |

The current tax charge is higher than the standard rate of corporation tax in Ireland. The differences are explained below:

| | 2012 €'000 | 2011 €'000 |
|---|---|---|
| (Loss)/profit on ordinary activities before tax | (37,234) | 3,766 |
| Current tax of 12.5% (2011: 12.5%) | (4,654) | 471 |
| Effects of: | | |
| Expenses not deductible | 617 | 367 |
| Depreciation in excess of capital allowances | 225 | 902 |
| Income and gains taxed at higher rates | 1,263 | 1,408 |
| Tax losses not recognised | 3,623 | - |
| Short term timing differences | (560) | (998) |
| Prior year overprovision | (385) | (16) |
| Current tax charge | 129 | 2,134 |

The 2012 tax charge of €129,000 includes a tax credit of €552,000 (2011: nil) in respect of research and development credit claims.

### 5. Tax on (Loss)/Profit on Ordinary Activities (continued)

Given the uncertainty over the existence of future taxable profits, a potential deferred tax asset of €42,221,000 (2011: €65,162,000) has not been recognised. This is broken down as follows:

| | At beginning of year €'000 | Movement €'000 | At end of year €'000 |
|---|---|---|---|
| Pension | 60,449 | (24,872) | 35,577 |
| Restructuring | 2,381 | (2,381) | - |
| Losses | 6,556 | 3,623 | 10,179 |
| Other (including fixed assets) | (4,224) | 689 | (3,535) |
| Total | 65,162 | (22,941) | 42,221 |

### 6. (Loss)/Profit for the Financial Year

| | 2012 €'000 | 2011 €'000 |
|---|---|---|
| Loss after tax in the holding company | (45,684) | (2,528) |
| Profit after tax in subsidiary undertakings | 6,206 | 4,160 |
| Minority interest | (2,014) | (1,285) |
| Impairment of financial asset not consolidated | 2,115 | - |
| (Loss)/profit for the financial year | (39,377) | 347 |

A separate profit and loss account for An Post has not been prepared because the conditions laid down in Section 148(8) of the Companies Act, 1963 have been satisfied.

### 7. Staff Numbers and Costs

The average full time equivalent (FTE) number of persons, excluding postmasters, working in the Group during the year was:

| | 2012 | 2011 |
|---|---|---|
| Operations | 9,008 | 9,382 |
| Corporate | 633 | 655 |
| Total Company employees (FTE) | 9,641 | 10,037 |
| Subsidiaries | 748 | 612 |
| Total Group employees (FTE) | 10,389 | 10,649 |

The average number of employees working in the Group during the year was:

| | 2012 | 2011 |
|---|---|---|
| Operations | 8,725 | 8,859 |
| Corporate | 668 | 694 |
| Total Company employees | 9,393 | 9,553 |
| Casual employees | 1,110 | 1,160 |
| Total Company employees | 10,503 | 10,713 |
| Subsidiaries | 750 | 620 |
| Total Group employees | 11,253 | 11,333 |
| Postmasters: Engaged as agents | 1,097 | 1,103 |

The aggregate payroll costs, excluding restructuring costs, were as follows:

| | 2012 €'000 | 2011 €'000 |
|---|---|---|
| Wages and salaries | 416,369 | 418,735 |
| Postmasters' costs | 74,614 | 74,432 |
| Social welfare costs | 36,270 | 36,648 |
| | 527,253 | 529,815 |
| Other pension costs (note 17) | 46,663 | 46,580 |
| | 573,916 | 576,395 |

## 8. Intangible Fixed Assets - Goodwill

| | Total €'000 |
|---|---|
| **Group** | |
| **Cost** | |
| At 31 December 2011 | 41,385 |
| Foreign exchange gain | 91 |
| At 31 December 2012 | 41,476 |
| **Amortisation** | |
| At 31 December 2011 | 16,786 |
| Charge for year | 2,437 |
| At 31 December 2012 | 19,223 |
| **Net Book Value** | |
| At 31 December 2012 | 22,253 |
| At 31 December 2011 | 24,599 |

The directors have considered the carrying value of goodwill at 31 December 2012 and have concluded that no impairment arises.

### 9. Tangible Fixed Assets

| | Freehold & long leasehold land & buildings €'000 | Interest in GPO €'000 | Motor vehicles €'000 | Operating & computer equipment €'000 | Total €'000 |
|---|---|---|---|---|---|
| **GROUP** | | | | | |
| **Cost** | | | | | |
| At 31 December 2011 | 242,417 | 26,585 | 16,850 | 313,193 | 599,045 |
| Additions | 7,520 | - | - | 21,254 | 28,774 |
| Disposals | (346) | - | (3,735) | (150) | (4,231) |
| Foreign exchange movement | - | - | 2 | 138 | 140 |
| At 31 December 2012 | 249,591 | 26,585 | 13,117 | 334,435 | 623,728 |
| **Accumulated Depreciation** | | | | | |
| At 31 December 2011 | 58,208 | 12,227 | 11,461 | 250,619 | 332,515 |
| Charged during year | 5,577 | 665 | 2,396 | 13,909 | 22,547 |
| Eliminated on disposals | (159) | - | (3,648) | (150) | (3,957) |
| Foreign exchange movement | - | - | (3) | 94 | 91 |
| At 31 December 2012 | 63,626 | 12,892 | 10,206 | 264,472 | 351,196 |
| **Net Book Value** | | | | | |
| At 31 December 2012 | 185,965 | 13,693 | 2,911 | 69,963 | 272,532 |
| At 31 December 2011 | 184,209 | 14,358 | 5,389 | 62,574 | 266,530 |
| **COMPANY** | | | | | |
| **Cost** | | | | | |
| At 31 December 2011 | 244,741 | 26,585 | 16,640 | 302,136 | 590,102 |
| Additions | 7,508 | - | - | 17,683 | 25,191 |
| Disposals | (346) | - | (3,683) | (150) | (4,179) |
| At 31 December 2012 | 251,903 | 26,585 | 12,957 | 319,669 | 611,114 |
| **Accumulated Depreciation** | | | | | |
| At 31 December 2011 | 53,134 | 12,227 | 11,356 | 242,399 | 319,116 |
| Charged during year | 5,728 | 665 | 2,359 | 12,418 | 21,170 |
| Eliminated on disposals | (159) | - | (3,608) | (150) | (3,917) |
| At 31 December 2012 | 58,703 | 12,892 | 10,107 | 254,667 | 336,369 |
| **Net Book Value** | | | | | |
| At 31 December 2012 | 193,200 | 13,693 | 2,850 | 65,002 | 274,745 |
| At 31 December 2011 | 191,607 | 14,358 | 5,284 | 59,737 | 270,986 |

**Group and Company**
The depreciable element of freehold & long leasehold land & buildings amounts to:
Group €205,176,000 (2011: €200,940,000), Company €212,247,000 (2011: €206,946,000).

### 10. Financial Fixed Assets

| | Group 2012 € | Group 2011 € | Company 2012 € | Company 2011 € |
|---|---|---|---|---|
| Shares in subsidiary undertakings, at cost less impairment | 102 | 102 | 8,968,937 | 11,083,733 |
| Interest in associated undertakings, at cost | 163 | 163 | 163 | 163 |
| | 265 | 265 | 8,969,100 | 11,083,896 |
| The movements during the year were as follows: | | | | |
| **Shares in subsidiary undertakings (note 24)** | | | | |
| At beginning of year | 102 | 102 | 11,083,733 | 11,083,671 |
| Additions | - | - | - | 62 |
| Impairment in value of subsidiary undertaking | - | - | (2,114,796) | - |
| At end of year | 102 | 102 | 8,968,937 | 11,083,733 |
| **Shares in associated undertakings (note 24)** | | | | |
| At beginning of year | 163 | 163 | 163 | 163 |
| Additions | - | - | - | - |
| At end of year | 163 | 163 | 163 | 163 |

### 11. Debtors

| | Group 2012 €'000 | Group 2011 €'000 | Company 2012 €'000 | Company 2011 €'000 |
|---|---|---|---|---|
| **Amounts falling due within one year** | | | | |
| Trade debtors | 68,707 | 75,965 | 24,250 | 35,171 |
| Amounts owed by subsidiary undertaking not consolidated (note 27) | 640 | 517 | 640 | 517 |
| Amounts owed by other subsidiary undertakings | - | - | 3,644 | 1,760 |
| Amounts owed by associated undertaking (note 27) | 489 | 251 | 281 | 251 |
| Other debtors | 1,926 | 5,195 | 819 | 4,320 |
| Prize Bonds held | 813 | 1,288 | 625 | 600 |
| Prepayments and accrued income | 30,580 | 29,019 | 2,974 | 3,649 |
| | 103,155 | 112,235 | 33,233 | 46,268 |
| **Amounts falling due after more than one year** | | | | |
| Amounts owed by subsidiary undertakings | - | - | 20,818 | 21,456 |
| | 103,155 | 112,235 | 54,051 | 67,724 |

### 12. Cash at Bank and In Hand

| | Group 2012 €'000 | Group 2011 €'000 | Company 2012 €'000 | Company 2011 €'000 |
|---|---|---|---|---|
| Cash at bank | 26,283 | 30,679 | 18,801 | 21,793 |
| Cash in hand | 231,634 | 193,210 | 231,634 | 193,210 |
| | 257,917 | 223,889 | 250,435 | 215,003 |
| Term deposits | 172,104 | 229,864 | 172,104 | 229,864 |
| Less: Amounts held in trust | (317,916) | (303,689) | (317,916) | (303,689) |
| | 112,105 | 150,064 | 104,623 | 141,178 |

### 13. Creditors: Amounts falling due within one year

| | Group 2012 €'000 | Group 2011 €'000 | Company 2012 €'000 | Company 2011 €'000 |
|---|---|---|---|---|
| Trade creditors | 50,920 | 45,362 | 17,769 | 14,438 |
| Amounts owed to subsidiary undertakings | - | - | 41,500 | 39,911 |
| Other creditors | 14,387 | 14,276 | 4,389 | 5,714 |
| Taxation and social welfare (note 14) | 13,508 | 17,009 | 11,506 | 13,986 |
| Accruals | 86,635 | 97,200 | 71,252 | 77,812 |
| Deferred income - capital grants (note 15) | 101 | 102 | 101 | 102 |
| Term loan | - | 1,000 | - | - |
| Bank overdraft | 2,430 | 2,461 | - | - |
| Deferred income | 18,026 | 14,162 | 16,633 | 12,632 |
| | 186,007 | 191,572 | 163,150 | 164,595 |

The bank overdraft is repayable on demand.

### 14. Taxation and Social Welfare

| | Group 2012 €'000 | Group 2011 €'000 | Company 2012 €'000 | Company 2011 €'000 |
|---|---|---|---|---|
| Corporation tax payable/(receivable) | 306 | 1,906 | (508) | 794 |
| Income tax deducted under PAYE | 5,342 | 6,044 | 4,680 | 5,464 |
| Pay related social insurance | 5,670 | 6,194 | 5,534 | 6,042 |
| Value added tax | 1,875 | 2,607 | 1,500 | 1,436 |
| Professional services withholding tax | 315 | 258 | 300 | 250 |
| | 13,508 | 17,009 | 11,506 | 13,986 |

### 15. Creditors: Amounts falling due after more than one year

| | Group 2012 €'000 | Group 2011 €'000 | Company 2012 €'000 | Company 2011 €'000 |
|---|---|---|---|---|
| Deferred income - capital grants | 3,360 | 3,461 | 3,360 | 3,461 |
| Term loan | 1,000 | - | - | - |
| | 4,360 | 3,461 | 3,360 | 3,461 |
| The movements on grants were as follows: | | | | |
| At beginning of year | 3,563 | 3,665 | 3,563 | 3,665 |
| Amortised to profit and loss account | (102) | (102) | (102) | (102) |
| At end of year | 3,461 | 3,563 | 3,461 | 3,563 |
| Transferred to creditors: amounts falling due within one year | (101) | (102) | (101) | (102) |
| | 3,360 | 3,461 | 3,360 | 3,461 |

The term loan is secured by way of a debenture over the assets of The Gift Voucher Shop. It is repayable in 2014.

### 16. Provisions for Liabilities

| | 2012 €'000 | 2011 €'000 |
|---|---|---|
| **Group and Company** | | |
| Provisions for business restructuring | 22,352 | 39,432 |
| The movements during the year were as follows: | | |
| At beginning of year | 39,432 | 46,820 |
| Utilised during the year | (17,080) | (7,388) |
| At end of year | 22,352 | 39,432 |

It is anticipated that the provision for business restructuring will be utilised by 31 December 2015.

### 17. Pensions and Similar Obligations

**Group and Company**
The pension entitlements of employees arise under a number of defined benefit and defined contribution pension schemes, the assets of which are vested in independent trustees appointed by the Company for the sole benefit of employees and their dependents. Annual contributions are based on the advice of a professionally qualified actuary.

The amounts charged during the year to operating costs were as follows:

| | 2012 €'000 | 2011 €'000 |
|---|---|---|
| Defined benefit schemes – current service cost | 44,800 | 44,600 |
| Ex-gratia schemes – current service cost | 1,000 | 1,000 |
| Defined contribution scheme | 863 | 980 |
| Recognised in the profit and loss account | 46,663 | 46,580 |

Past service costs of €8,088,000 (2011: €5,410,000) arose during the year. These were discharged through the utilisation of the restructuring provision (note 16) and had no impact on the profit and loss account for the year ended 31 December 2012 or 2011. Contributions payable to pension schemes and included in creditors at 31 December 2012 amounted to €347,000 (2011: €1,759,000) and were paid in January 2013.

The pension costs of the defined benefit schemes are assessed in accordance with the advice of an independent, professionally qualified actuary. The most recent actuarial valuations were carried out at 1 January 2011 using the attained age method and at that date were sufficient to cover 79% of the accrued liabilities. The principal actuarial assumption was that, over the long term, the annual rate of return on investments would be 2.0% higher than the annual increase in pensionable remuneration. The actuarial valuation of 1 January 2011 recommended a contribution rate of 14.4% of pensionable remuneration, as an interim contribution rate, pending finalisation of an agreement between the Company and the members of the schemes on a course of action to comply with the Minimum Funding Standard (MFS) as issued by the Pensions Board. The actuarial valuations are not available for public inspection but the results of the valuations have been advised to the members of the schemes.

The valuations of the pension schemes used for the purpose of FRS 17 accounting entries and disclosures have been based on the most recent actuarial valuations as identified above and updated by the independent actuary to 31 December 2012. Scheme assets are stated at their market value at the balance sheet date. During the period the Group, with input from its actuarial consultants, refined its estimate of the discount rate used for the purposes of the computation of the defined benefit liabilities. The refinement included an extension of the bond data included in the population from which the discount rate is derived as well as a refinement of the approach used to extrapolate the available bond data out to the duration of the pension scheme obligations.

**17. Pensions and Similar Obligations (continued)**

The financial assumptions used to calculate the retirement benefit liabilities under FRS 17 were as follows:

| | 2012 | 2011 | 2010 |
|---|---|---|---|
| Valuation method | Projected Unit | Projected Unit | Projected Unit |
| Discount rate | 4.00% | 5.25% | 5.50% |
| Inflation - CPI | 2.00% | 2.00% | 2.00% |
| Relevant wage inflation | 1.50% | 2.60% | 2.90% |
| Increase to pensions in payment | 1.50% | 2.60% | 2.90% |
| Pensionable salary increases | 1.50% | 2.60% | 2.90% |

The long term expected rates of return on the assets of the pension scheme were:

| | 2012 | 2011 | 2010 |
|---|---|---|---|
| Equities | 7.50% | 8.25% | 8.50% |
| Bonds | 3.00% | 3.75% | 4.00% |
| Other | 4.00% | 4.25% | 5.10% |

The assumptions relating to longevity underlying the pension liabilities at the balance sheet date are based on standard actuarial mortality tables and include an allowance for future improvements in longevity. The assumptions are equivalent to expecting a 65-year old to live for a number of years as follows:

| | 2012 | 2012 | 2011 | 2011 |
|---|---|---|---|---|
| Life expectancy at 65 | Male | Female | Male | Female |
| Current Pensioners – aged 65 | 85.8 | 87.1 | 85.7 | 87.0 |
| Future Pensioners – aged 40 | 88.7 | 89.6 | 88.6 | 89.5 |

The market value of the assets of the defined benefit schemes at 31 December 2012, 2011 and 2010 were:

| | 2012 €'000 | 2011 €'000 | 2010 €'000 |
|---|---|---|---|
| Equities | 999,300 | 925,700 | 1,068,800 |
| Bonds | 824,700 | 681,100 | 650,500 |
| Other | 193,535 | 153,172 | 123,445 |
| Fair value of pension schemes' assets | 2,017,535 | 1,759,972 | 1,842,745 |
| Present value of funded defined benefit obligations | (2,288,100) | (2,230,700) | (2,199,400) |
| Present value of unfunded defined benefit obligations | (14,055) | (12,866) | (11,843) |
| Present value of defined benefit obligations | (2,302,155) | (2,243,566) | (2,211,243) |
| Pension liability | (284,620) | (483,594) | (368,498) |

## 17. Pensions and Similar Obligations (continued)

### Movement in fair value of pension schemes' assets

| | 2012 €'000 | 2011 €'000 |
|---|---|---|
| Fair value of pension schemes' assets at beginning of year | 1,759,972 | 1,842,745 |
| Expected return on plan assets | 97,300 | 122,400 |
| Actuarial gain/(loss) | 181,300 | (185,500) |
| Employer contributions | 57,912 | 55,994 |
| Members' contributions | 4,400 | 4,400 |
| Benefits paid | (83,349) | (80,067) |
| Fair value of pension schemes' assets at end of year | 2,017,535 | 1,759,972 |

### Movement in present value of defined benefit obligations

| | 2012 €'000 | 2011 €'000 |
|---|---|---|
| Defined benefit obligations at beginning of year | (2,243,566) | (2,211,243) |
| Current service cost | (45,800) | (45,600) |
| Past service cost | (8,088) | (5,410) |
| Interest cost | (117,050) | (120,850) |
| Members' contributions | (4,400) | (4,400) |
| Benefits paid | 83,349 | 80,067 |
| Actuarial gain | 33,400 | 63,870 |
| Defined benefit obligations at end of year | (2,302,155) | (2,243,566) |

### Other Finance Income/(Expense)

| | 2012 €'000 | 2011 €'000 |
|---|---|---|
| Interest on scheme liabilities | (117,050) | (120,850) |
| Expected return on schemes' assets | 97,300 | 122,400 |
| | (19,750) | 1,550 |

The expected return on scheme assets is calculated based on the value of the schemes' assets at the beginning of the financial year.

### 17. Pensions and Similar Obligations (continued)

**Amounts recognised in statement of total recognised gains and losses**

The actuarial gains and losses are analysed as follows:

| | 2012 €'000 | 2011 €'000 |
|---|---|---|
| Difference between expected and actual return on assets | 181,300 | (185,500) |
| Experience gains and losses on schemes liabilities | 33,400 | 63,870 |
| Actuarial (loss)/gain recognised | 214,700 | (121,630) |

The actual return on schemes' assets in 2012 was a gain of €279 million (2011:loss of €63 million). The cumulative actuarial gains and losses recognised in the statement of total recognised gains and losses at 31 December 2012 is a loss of €50 million (2011: loss of €265 million).

Employer contributions in 2013 excluding potential past service costs are expected to be €49m.

**History of Actuarial gains and losses**

| | 2012 €'000 | 2011 €'000 | 2010 €'000 | 2009 €'000 | 2008 €'000 |
|---|---|---|---|---|---|
| Difference between expected and actual return on assets | 181,300 | (185,500) | 96,000 | 125,700 | (768,161) |
| Expressed as a percentage of schemes' assets | 9% | (11%) | 5% | 8% | (53%) |
| Experience gains and losses on schemes' liabilities | 33,400 | 63,870 | (68,690) | 62,090 | (8,400) |
| Expressed as a percentage of schemes' liabilities | 1% | 3% | (3%) | 3% | - |
| Total actual gains and (losses) | 214,700 | (121,630) | 27,310 | 187,790 | (486,565) |
| Expressed as a percentage of schemes' liabilities | 9% | (5%) | 1% | 9% | (24%) |

### 18. Share Capital

**Group and Company**

| | 2012 €'000 | 2011 €'000 |
|---|---|---|
| **Authorised:** | | |
| 80,000,000 Ordinary Shares of €1.25 each | 100,000 | 100,000 |
| **Allotted, called up and fully paid:** | | |
| 54,590,946 Ordinary Shares of €1.25 each | 68,239 | 68,239 |

On 14 January 2003, pursuant to Section 26 of the Economic and Monetary Union Act, 1998, the Company's shares were renomalised from €1.269738 to €1.25 per share and an amount of €877,000 was transferred to a capital conversion reserve fund.

### 19. Profit and Loss Account

| | Group 2012 €'000 | Group 2011 €'000 | Company 2012 €'000 | Company 2011 €'000 |
|---|---|---|---|---|
| At beginning of year | (227,588) | (106,305) | (269,226) | (145,068) |
| (Loss)/profit for the financial year | (39,377) | 347 | (45,684) | (2,528) |
| Other recognised gains/(losses) | 214,700 | (121,630) | 214,700 | (121,630) |
| At end of year | (52,265) | (227,588) | (100,210) | (269,226) |

### 20. Reconciliation of Shareholders' Funds/(Deficit)

| | Group 2012 €'000 | Group 2011 €'000 | Company 2012 €'000 | Company 2011 €'000 |
|---|---|---|---|---|
| At beginning of year | (158,472) | (37,189) | (200,110) | (75,952) |
| (Loss)/profit for the financial year | (39,377) | 347 | (45,684) | (2,528) |
| Other recognised gains/(losses) | 214,700 | (121,630) | 214,700 | (121,630) |
| At end of year | 16,851 | (158,472) | (31,094) | (200,110) |

### 21. Minority Interest

| | 2012 €'000 | 2011 €'000 |
|---|---|---|
| **Group** | | |
| Accumulated losses at start of year | 6,159 | 7,444 |
| Minority interest share of profit | (2,014) | (1,285) |
| Accumulated losses at end of year | 4,145 | 6,159 |

### 22. Gross Cash Flows

| | 2012 €'000 | 2011 €'000 |
|---|---|---|
| **Reconciliation of operating (loss)/profit to net cash inflow from operating activities** | | |
| Operating (loss)/profit | (17,484) | 2,216 |
| Depreciation and amortisation of goodwill | 24,984 | 26,826 |
| Profit on sale of tangible fixed assets | (417) | (131) |
| Payments in relation to provision for business restructuring | (17,080) | (9,025) |
| Cash paid in excess of FRS17 pension charge | (4,024) | (4,984) |
| Capital grants amortised | (102) | (102) |
| Decrease/(increase) in operating debtors | 9,080 | (16,822) |
| Decrease in operating creditors | (714) | (13,425) |
| **Net cash (outflow) from operating activities** | (5,757) | (15,447) |
| **Taxation** | | |
| Tax (paid)/refunded | (1,729) | 2,796 |
| **Capital expenditure and financial investment** | | |
| Purchase of tangible fixed assets | (31,133) | (32,040) |
| Disposal of tangible fixed assets | 691 | 262 |
| | (30,442) | (31,778) |
| **Acquisitions and disposals** | | |
| Acquisition of subsidiary undertakings | - | (3,310) |
| **Financing** | | |
| Term loan (repaid) | - | (1,000) |
| **Management of liquid resources (note a)** | | |
| Decrease in term deposits | (57,760) | (50,195) |

Note a: Liquid resources comprise term deposits with a maturity notice period of more than one day.

## 23. Analysis of Net Funds

| | At beginning of year €'000 | Cash flows €'000 | At end of year €'000 |
|---|---|---|---|
| Cash at bank and in hand | 223,889 | 34,028 | 257,917 |
| Bank overdraft | (2,461) | 31 | (2,430) |
| Amounts held in trust | (303,689) | (14,227) | (317,916) |
| | | 19,832 | |
| Term deposits | 229,864 | (57,760) | 172,104 |
| Total | 147,603 | (37,928) | 109,675 |

## 24. Subsidiary and Associated Undertakings

| Name | Nature of Business | % Holding | Registered Office |
|---|---|---|---|
| **Subsidiary undertakings held directly by the Company** | | | |
| An Post National Lottery Company (note 27) | Operation of the National Lottery | 80% | General Post Office O'Connell Street Dublin 1 |
| Postpoint Services Limited | Mobile top ups | 100% | General Post Office O'Connell Street Dublin 1 |
| GVS Gift Voucher Shop Limited | Retail gift vouchers | 53.6% | General Post Office O'Connell Street Dublin 1 |
| PrintPost Limited | High volume printing | 100% | General Post Office O'Connell Street Dublin 1 |
| An Post BillPost Processing Services Limited | Bill payment processing | 100% | General Post Office O'Connell Street Dublin 1 |
| An Post GeoDirectory Limited | Database services | 51% | General Post Office O'Connell Street Dublin 1 |
| Precision Marketing Information Limited trading as Data Ireland | Provision of marketing data, database services and business directories | 100% | General Post Office O'Connell Street Dublin 1 |
| Arcade Property Company Limited | Property development and letting | 100% | General Post Office O'Connell Street Dublin 1 |
| Prince's Street Property Company Limited | Dormant | 100% | General Post Office O'Connell Street Dublin 1 |
| Post Consult International Limited | Computer software services | 100% | General Post Office O'Connell Street Dublin 1 |

### 24. Subsidiary and Associated Undertakings (continued)

| Name | Nature of Business | % Holding | Registered Office |
|---|---|---|---|
| **Subsidiary undertakings held directly by the Company (Continued)** | | | |
| Post.Trust Limited | Digital certification and security services | 100% | General Post Office<br>O'Connell Street<br>Dublin 1 |
| Transpost Limited | Courier and distribution | 100% | General Post Office<br>O'Connell Street<br>Dublin 1 |
| Kompass Ireland Publishers Limited | Dormant | 100% | General Post Office<br>O'Connell Street<br>Dublin 1 |
| An Post (NI) Limited | Holding company | 100% | Stokes House<br>College Square East<br>Belfast |
| **Subsidiary undertakings held indirectly through a subsidiary undertaking** | | | |
| Air Business Limited | Distribution and magazine subscription services | 100% | 4, The Merlin Centre<br>Acrewood Way<br>St. Albans Herts<br>U.K. |
| The Gift Voucher Shop Limited | Retail Gift Vouchers | 53.6% | 4, The Merlin Centre<br>Acrewood Way<br>St. Albans Herts<br>U.K. |
| Jordan & Co International Limited | Distribution | 100% | 4, The Merlin Centre<br>Acrewood Way<br>St. Albans Herts<br>U.K. |
| One Direct (Ireland) Limited | Insurance Broker | 100% | General Post Office<br>O'Connell Street<br>Dublin 1 |
| **Associated undertaking held directly by the Company** | | | |
| The Prize Bond Company Limited | Administration of the Prize Bond Scheme | 50% | General Post Office<br>O'Connell Street<br>Dublin 1 |

Air Business Limited, Jordan & Co International Limited and The Gift Voucher Shop Limited are incorporated in and operate in England & Wales. An Post (NI) Limited is incorporated in and operates in Northern Ireland.

All other undertakings are incorporated in and operate in the Republic of Ireland. All shareholdings consist of ordinary share capital.

An Post National Lottery Company carries on the business of operating the National Lottery under licence from the Minister for Public Expenditure and Reform in accordance with the provisions of the National Lottery Act, 1986. 20% of the issued share capital is held by the Minister for Public Expenditure and Reform.

The Prize Bond Company Limited carries on the business of administering the Prize Bond Scheme under contract from the National Treasury Management Agency.

The following subsidiaries will avail of the filing exemption available under Section 17 of the Companies (Amendment) Act, 1986, whereby they will annex the financial statements of An Post to their annual returns:

Post Consult International Limited; PrintPost Limited; Post.Trust Limited; Transpost Limited; Precision Marketing Information Limited; Prince's Street Property Company Limited; An Post BillPost Processing Services Limited; Kompass Ireland Publishers Limited and Postpoint Services Limited.

### 25. Lease Commitments

Annual commitments under operating leases were as follows:

| | 2012 | | | 2011 | | |
|---|---|---|---|---|---|---|
| | Land & buildings €'000 | Equipment and motor vehicles €'000 | Total €'000 | Land & buildings €'000 | Equipment and motor vehicles €'000 | Total €'000 |
| **Group** | | | | | | |
| Expiring within one year | 1,336 | 2,539 | 3,875 | 808 | 3,640 | 4,448 |
| Expiring after one year and before five years | 3,409 | 8,279 | 11,688 | 3,691 | 8,698 | 12,389 |
| Expiring after five years | 4,296 | 1,433 | 5,729 | 4,275 | 6 | 4,281 |
| | 9,041 | 12,251 | 21,292 | 8,774 | 12,344 | 21,118 |
| **Company** | | | | | | |
| Expiring within one year | 709 | 2,429 | 3,138 | 293 | 3,606 | 3,899 |
| Expiring after one year and before five years | 2,743 | 8,024 | 10,767 | 2,752 | 8,410 | 11,162 |
| Expiring after five years | 3,224 | 1,429 | 4,653 | 3,335 | - | 3,335 |
| | 6,676 | 11,882 | 18,558 | 6,380 | 12,016 | 18,396 |

There were no material finance lease commitments either at 31 December 2012 or 2011 or which were due to commence after that date.

### 26. Capital Commitments

Future capital expenditure approved by the directors but not provided for in the financial statements was as follows:

| | Group 2012 €'000 | Group 2011 €'000 | Company 2012 €'000 | Company 2011 €'000 |
|---|---|---|---|---|
| Contracted for | 12,550 | 18,500 | 12,550 | 18,500 |
| Authorised but not contracted for | 1,947 | 1,861 | 1,947 | 1,861 |
| | 14,497 | 20,361 | 14,497 | 20,361 |

## 27. Related Party Disclosures and Controlling Party

### Controlling party

The Group was controlled throughout the year by the Minister for Communications, Energy and Natural Resources who holds the entire issued share capital of An Post except for one ordinary share which is held by the Minister for Finance (which stands transferred to the Minister for Public Expenditure and Reform under the Ministers and Secretaries Act 2011).

### TRANSACTIONS WITH RELATED UNDERTAKINGS

### An Post National Lottery Company

The Group provides An Post National Lottery Company, an undertaking not consolidated, with management and delivery services. Such services are carried out on an arm's length basis or, where required, in accordance with the terms of the licence granted by the Minister for Public Expenditure and Reform to operate the National Lottery. The Company also provides agency services to An Post National Lottery Company whereby the Company makes sales and pays prizes on behalf of An Post National Lottery Company in accordance with the standard terms and conditions and remuneration structure common to all of An Post National Lottery Company's agents. Group turnover for the year includes €5,683,000 (2011: €5,859,000) in respect of services provided to An Post National Lottery Company. These amounts are inclusive of a management fee of €2,586,000 (2011: €2,665,000) payable to the Company in accordance with the terms of the licence to operate the National Lottery.

The costs of staff working in An Post National Lottery Company are recharged from An Post at cost and amounted to €8,441,000 for the year ended 31 December 2012 (2011: €8,533,000).

The amount owed by An Post National Lottery Company to the Company was €640,000 at 31 December 2012 (2011: €517,000).

An Post has agreed to guarantee the performance by An Post National Lottery Company of its obligations under the licence for the holding of the National Lottery granted by the Minister for Public Expenditure and Reform. An Post has provided the guarantee, the maximum liability of which amounts to €10 million, for the duration of the licence.

### The Prize Bond Company Limited

Under the terms of a contract with The Prize Bond Company Limited, the Company carries out certain aspects of the administration of the Prize Bond Scheme. Fees earned by the Company in respect of such services amounted to €3,112,000 for the year ended 31 December 2012 (2011: €2,930,000). The amount owed by The Prize Bond Company Limited to the Company was €489,000 at 31 December 2012 (2011: €251,000). At 31 December 2012 the Group held €813,000 (2011: €1,288,000) of Prize Bonds.

### Loft Beck Limited (formerly Postbank Ireland Limited)

Loft Beck Limited (formerly Postbank Ireland Limited) is in voluntary liquidation from 25 March 2011. The liquidation process will likely last for a number of years. An Post has received payments from the liquidator of €1,000,000 (2011: €2,750,000) representing surplus funds on the liquidation. The liquidator has received an indemnity from shareholders entitling him to reclaim this should the need arise.

### Transactions with government departments and other state bodies

The Group provides, in the ordinary course of business, postage, agency, remittance and courier services to various Government departments and other State bodies on an arms length basis. The Group also conducts day to day banking services and treasury with banking institutions both owned and guaranteed by the State.

## 28. Contingencies

### Group and Company

There were no contingent liabilities or guarantees at 31 December 2012 or 2011 in respect of which material losses are expected other than as disclosed elsewhere in the financial statements.

On 8 February 2012, ComReg served legal proceedings on An Post under the terms of the European Communities (Postal Services) Regulations Act 2002 seeking an order from the High Court to impose a financial penalty on An Post for alleged non compliance with the quality of service standards. The Company is vigorously defending the action and has recognised no liability in this regard as at 31 December 2012.

## 29. Board Approval

The financial statements were approved by the Board of Directors on 27 March 2013.

## FIVE YEAR FINANCIAL SUMMARY

### Consolidated Profit & Loss Account

| | 2012 €'000 | 2011 €'000 | 2010 €'000 | 2009 €'000 | 2008 €'000 |
|---|---|---|---|---|---|
| Turnover | 807,295 | 806,714 | 805,120 | 804,216 | 850,043 |
| Operating costs | (824,779) | (804,498) | (799,282) | (798,475) | (818,808) |
| **Operating (loss)/profit** | **(17,484)** | **2,216** | **5,838** | **5,741** | **31,235** |
| Asset disposals | - | - | - | - | - |
| Business restructuring | - | - | (20,000) | - | - |
| Share of results of joint venture | - | - | (6,590) | (10,750) | (9,685) |
| Other finance (expense)/income | (19,750) | 1,550 | (3,950) | (20,560) | 18,340 |
| (Loss)/profit before taxation | (37,234) | 3,766 | (24,702) | (25,569) | 39,890 |

### Consolidated Balance Sheet

| | 2012 €'000 | 2011 €'000 | 2010 €'000 | 2009 €'000 | 2008 €'000 |
|---|---|---|---|---|---|
| Fixed assets | 294,785 | 291,129 | 279,323 | 242,704 | 211,465 |
| Net current assets | 29,253 | 70,727 | 95,925 | 166,423 | 235,998 |
| Other liabilities | (26,712) | (42,893) | (51,383) | (53,550) | (63,705) |
| Net assets excluding pension liability | 297,326 | 318,963 | 323,865 | 355,577 | 383,758 |
| Pension liability | (284,620) | (483,594) | (368,498) | (403,252) | (582,300) |
| Net assets/(liabilities) including pension liability | 12,706 | (164,631) | (44,633) | (47,675) | (198,542) |
| Capital and reserves | 12,706 | (164,631) | (44,633) | (47,675) | (198,542) |

### Ratios

| | 2012 €'000 | 2011 €'000 | 2010 €'000 | 2009 €'000 | 2008 €'000 |
|---|---|---|---|---|---|
| Operating (loss)/profit above as % of turnover | (2.17%) | 0.27% | 0.73% | 0.71% | 3.67% |
| Operating (loss)/profit above as % of average shareholders' funds before pension liability | (5.67%) | 0.68% | 1.68% | 1.55% | 8.30% |
| Staff and postmasters' costs as % of operating costs before exceptional item | 69.58% | 71.65% | 72.0% | 73.76% | 73.16% |
| Current assets as % of current liabilities | 115.7% | 136.0% | 148.1% | 190.50% | 242.86% |

## OPERATIONAL STATISTICS

### Mail

| | 2012 | 2011 | 2010 | 2009 | 2008 |
|---|---|---|---|---|---|
| Letters core revenue index (2005 = 100) (note 1) | 77.2 | 81.4 | 87.5 | 94.3 | 104.8 |

Note 1: This index reflects changes in letters core revenue and excludes revenue from elections, referenda, foreign administrations in each year as well as the impact of changes to published tariffs.

### System Size

| | 2012 | 2011 | 2010 | 2009 | 2008 |
|---|---|---|---|---|---|
| No. of delivery points (millions) | 2.236 | 2.235 | 2.231 | 2.214 | 2.184 |
| Post office network: | | | | | |
| Company post offices | 57 | 57 | 57 | 57 | 61 |
| Sub-post offices | 1,095 | 1,099 | 1,107 | 1,179 | 1,187 |
| Postal agencies | 166 | 175 | 185 | 177 | 178 |
| | 1,318 | 1,331 | 1,349 | 1,413 | 1,426 |
| No. of motor vehicles | 2,775 | 2,778 | 2,778 | 2,782 | 2,941 |
| **State Savings Services (note 2)** | **€M** | **€M** | **€M** | **€M** | **€M** |
| Value of Funds at 31 December | 16,276 | 14,071 | 12,692 | 9,303 | 7,504 |
| **Activity for year** | | | | | |
| Savings Bank deposits | 1,195 | 1,122 | 1,242 | 905 | 1,306 |
| Savings Bank withdrawals | (967) | (973) | (813) | (802) | (850) |
| Savings Certificates issued | 1,053 | 822 | 1,354 | 1,215 | 749 |
| Savings Certificates repaid | (558) | (616) | (597) | (1,041) | (660) |
| Instalment Savings issued | 97 | 97 | 100 | 110 | 114 |
| Instalment Savings repaid | (116) | (113) | (113) | (102) | (111) |
| Savings Bonds issued | 2,257 | 1,401 | 2,137 | 1,466 | 813 |
| Savings Bonds repaid | (1,603) | (937) | (706) | (704) | (589) |
| National Solidarity Bond issued | 412 | 294 | 349 | - | - |
| National Solidarity Bond repaid | (23) | (31) | (7) | - | - |
| **Department of Social Protection** | **€M** | **€M** | **€M** | **€M** | **€M** |
| Welfare benefits paid during the year | 9,445 | 9,703 | 9,975 | 9,928 | 8,265 |
| | **000's** | **000's** | **000's** | **000's** | **000's** |
| **BillPay Volumes** | 25,200 | 24,930 | 25,220 | 25,170 | 24,490 |
| **TV Licence Sales** | 1,412 | 1,426 | 1,432 | 1,436 | 1,430 |

Note 2: The assets and liabilities of the Savings Services vest in the Minister for Finance and, accordingly, are not included in the financial statements of the Company.

NOTES

## NOTES

NOTES

**An Post**
General Post Office
O'Connell Street
Dublin 1
Ireland